Towards Full Employment

HORIZON 2005

ABOUT **EXPORTS**

Better support for businesses for greater success in foreign markets

Québec

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HORIZON 2005

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Better support for business
for greater success
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Québec

Finances, Économie et Recherche
Québec

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Message from the Deputy Prime Minister and Minister of Finance, the Economy and Research

Our ability to build a Québec for the future relies heavily on our ability to create ties with the outside world and to take advantage of the business opportunities it offers. It is with this in mind that the government of Québec is introducing the Strategy for Export Development in Québec.

The strategy is a key point in achieving our objective of full employment. It is an extension of the Québec government's efforts in recent years to provide support for exporters. It proposes major changes in response to the changing needs of Québec businesses and of the business environment, which has been greatly influenced by the globalization of the economy.

Québec exporters have clearly demonstrated that they are capable of standing up to the competition in foreign markets. Their drive and ability to adapt have never faltered. Their success in the US market since the implementation of the Free Trade Agreement is solid proof of their skill.

Businesses face many challenges, however, regardless of whether they are new to the export business, consolidating their presence in a market or making forays into new markets. This strategy recognizes that fact and is intended to provide exporters with tangible support.

The strategy clearly demonstrates the importance that the government places on Québec exporters. Their role in the economic development of Québec and in its dealings with the outside world is irrefutable.

Exporters will always be the architects of their own success. With this strategy, the government of Québec intends to help them take up the challenge in close cooperation with all the partners involved in export development in Québec.

Pauline Marois

Message of the Minister for Industry and Trade

Exports are a powerful force for economic development. The current export development strategy will provide the tools necessary to obtain the maximum yield in the coming years.

The export development strategy is aimed at promoting the full export potential of Québec businesses by systematizing their activities in foreign markets.

To this end, it proposes major changes to the framework for supporting businesses and to the financial and technical assistance offered by the government.

The strategy relies on a more targeted approach with respect to the selection of markets and businesses. It also strengthens the essential partnership with promoters of exports in Québec.

The export development strategy will provide more sustained support for Québec exporters and one that is better adapted to their changing needs.

The strategy is part of the government action plan to achieve full employment by 2003. It is also part of a strategy aimed at improving the competitiveness of Québec businesses, increasing their productivity, supporting product development and marketing, expanding the entrepreneurial base and favouring the development of industrial systems.

All of these measures, and in particular the Strategy for Export Development in Québec, will help strengthen the position of Québec businesses in foreign markets and, at the same time, favour the development of employment for the benefit of Québec workers.

Lucie Papineau

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1. INTRODUCTION

1.1. Why review the export development strategy

Economic globalization

The 1990s witnessed the spectacular growth of global trade, coupled with major structural transformations. These changes resulted from globalization of the economy, fuelled by trade liberalization, deregulation of financial markets, an increase in direct foreign cash flows and accelerated technological change.

These developments are gradually transforming the rules of the game in international trade. Notably, they are changing market growth perspectives from a sectoral and geographical standpoint, and are reshuffling the competitive positions of industries and economies.

Positive results on the international market

Québec has adapted well to these trends, and has seized business opportunities created by globalization. In the past few years, Québec companies have posted noteworthy results in the international market. International exports of Québec goods and services nearly tripled from 1990 to 2001, from $33.4 billion to $94.1 billion. Exports to the rest of Canada increased from $34.1 billion to $44.6 billion during the same period.

The growth of international exports occurred in tandem with a major realignment of the destination of sales outside of Québec. Since 1992, international exports actually exceeded those shipped to the rest of Canada. Thus, sales in foreign markets represented 68% of total exports of Québec goods and services in 2001.

Having advanced much more quickly than the economy as a whole, the proportion of exports in the gross domestic product (GDP) swelled from 44% in 1990 to 60.4% in 2001 (equal to 41.0% of the GDP for international exports and 19.4% for exports to the rest of Canada). Consequently, exports now exert a determining impact on the performance of the Québec economy in terms of creation of wealth and jobs. In 1997, nearly 800,000 jobs, or 25% of the total jobs in Québec, were directly or indirectly attributable to exports; in the manufacturing sector, the corresponding ratio was nearly three out of four jobs.

Untapped potential for business opportunities

Despite the generally satisfactory results, a large number of Québec companies are still not taking full advantage of business opportunities in foreign markets.

That is why the Québec government is reviewing its export development strategy, launched in the 1970s with the formation of the Office québécois du commerce extérieur. The strategy was subsequently reinforced by international business policies announced in 1985 and 1991. Beginning in 1996 there was also the "2000 new exporters in the year 2000" strategy.

NEW NEEDS OF BUSINESSES BETTER MET

In the *Québec Objectif Emploi* economic development strategy announced in the 1998-1999 budget speech, the government set forth orientations for market development. On this basis, and during the formulation of its strategic plan, the *ministère de l'Industrie et du Commerce* adopted a market development strategy that included clear orientations, priorities and objectives, which have supported its actions in recent years.

Not only is the strategy an extension of the orientations of the past few years, but it goes much further. It proposes major changes in the way in which companies are supported in their response to new issues raised by economic globalization. The strategy is intended to better meet the new needs of Québec companies by supporting them in their approach to accelerate penetration of expanding markets and in particular to cement their presence on a solid foundation. This strategy is also part of the government action plan for attaining full employment by 2005, announced in December. Indeed, exports constitute one of the three pillars of this plan; the other two are high technology and energy.

The new strategy is also an opportunity to modernize the terms of the indispensable partnership between the government and the various stakeholders working in the field of promoting Québec exports. Moreover, this strategy foresees the implementation of new permanent consensus-building mechanisms to improve coherence and achieve greater complementarity of actions.

In the preliminary phases of strategy formulation, consultations have already taken place with various players in this sector. The strategy largely reflects the various viewpoints expressed during these consultations.

SHARING A STRATEGIC VISION

Therefore, the Québec Export Development Strategy pursues three major objectives:

- present the strategic vision that guides the government in its support of exporting companies to help them face new challenges;
- serve as a basis for consensus building between the government and the various stakeholders regarding orientations, lines of action and objectives to emphasize;
- put in place appropriate cooperation mechanisms to help Québec export development players act more efficiently, coherently and with greater continuity.

1.2. A COMPLEMENTARY STRATEGY

SEVERAL POLICIES FUEL EXPORT DEVELOPMENT

The export development strategy complements the other strategies and policies of the Québec government, which have an impact on Québec exports. Several of these policies support this strategy, both upstream and downstream. In addition to the fiscal policy and the regulatory framework, there are also policies that directly target technological development, foreign investments, training, transportation and e-commerce.

This strategy is also an important component of the integrated approach of the MFER intended to improve the competitiveness of companies, which includes five lines of action:

- support for product design and development;
- support for growth of business productivity fuelled by the adoption of better business practices;
- support for improvement of commercialization of goods and services through development as the business of e-business and exports;
- development of industrial channels;
- expansion of the entrepreneurial base.

It also complements the trade policy, whose role is to maintain and improve access to Québec products and services in overseas markets by eliminating tariff and non-tariff obstacles. In recent years, the Quebec government has been an active promoter of free trade, and has vigorously defended the interests of Québec companies engaged in commercial disputes (Inset 1). In fall 2001, the government supported holding new multilateral trade negotiations under the direction of the World Trade Organization (WTO).

FREER TRADE IS A SOURCE OF PROSPERITY

Québec's decidedly pro-free-trade position rests on the observation that freer trade is a source of prosperity because it contributes to more efficient allocation of resources. For Québec, free trade is also becoming a necessity owing to the restricted size of the domestic market. In effect, most of Québec's goods and services industries require foreign markets to fuel their development.

INSET 1. NEGOTIATIONS AND TRADE AGREEMENTS

Québec has supported a large number of international trade agreements negotiated by Canada in the past 25 years. Some have been negotiated multilaterally in the context of the WTO (formerly the GATT), while others were negotiated on a regional scale, for instance with the United States, Mexico, Israel, Chile and Costa Rica.

During the '90s, Québec signed many bilateral and multilateral agreements with its Canadian partners on provincial and federal levels, to reduce or eliminate obstacles to trade in the Canadian market, mainly in the government procurement sector. Moreover, in fall 2001 Québec signed a government procurement openness agreement with the State of New York.

The scope of trade negotiations has expanded considerably since the signing of the General Agreement on Tariffs and Trade (GATT) in 1947. Formerly centred on the trade of goods, the negotiations have now spread to such themes as professional services, the environment, labour and government procurement and subjects that fall at least partly under the jurisdiction of the Québec government within the Canadian federal system. The results of these negotiations may have a marked impact on Québec society. Therefore, Québec's support for trade liberalization is not unconditional. The Québec government summarizes its stance with the following slogan: "Yes to the market economy, no to the market society."

In this context, Québec considers that the current mode of consultation and collaboration between the federal and provincial governments is both inadequate and too restricted. For the past few years, the Québec government has been militating, to no avail, for a formal agreement on provincial participation in the preparation, negotiation and implementation of trade agreements. In fact, Canadian intergovernmental agreements concerning provinces' participation in North American cooperation agreements in environmental and labour domains, agreements parallel to the North American Free Trade Agreement (NAFTA), constitute precedents and models for an eventual agreement on Québec's participation in international trade agreements. The negotiations of recent years to find solutions to the Canada–U.S. softwood lumber dispute are a good example of the need for direct provincial participation in negotiations concerning cross-border issues, since aspects of policies put in place by the provinces are called into question by the adversary.

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Access to the American market: a priority

Moreover, given that company strategy in general is increasingly spanning the entire North American continent, maintaining and improving access to this market is becoming even more crucial. That is why, following the events of September 11, 2001, the government clearly indicated that it supports the introduction of the North American security perimeter (Inset 2). This position, which reflects the views of the coalition of economic stakeholders of Québec, is all the more justified because improving the flow at the Canada–U.S. border had already been a priority before these events.

Inset 2. North American circulation space

The attacks of September 11, 2001, sparked serious concerns regarding security at the Canada–U.S. border, along with the smooth flow of goods and people. The creation of a North American circulation space therefore has a dual objective:

- to ensure optimal security throughout the space;
- to guarantee the free circulation of goods, services and people.

The concept of circulation space refers to the implementation of a strategy that allows better coordination and management of controls at the border. The objective is to use resources more efficiently to control high-risk individuals and goods. This strategy comprises three security lines:

- interception abroad: this first line filters people and cargo according to the risks they represent, before their departure for North America;
- the first entry point in North America: formalities must ensure that the arrival of people and goods does not entail risk;
- Canada–U.S. border: controls are increased for high-risk individuals and goods, while low risk people and goods will be subject to eased formalities applied at the source, according to conditions agreed upon between the two countries.

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2. THE OUTLOOK

For several years now, Québec has shown favourable results in terms of exports in international markets. This performance, however, should be carefully examined in order to define the progress made and the extent of the ground yet to cover so that businesses in Québec can tackle challenges likely to arise in the years to come.

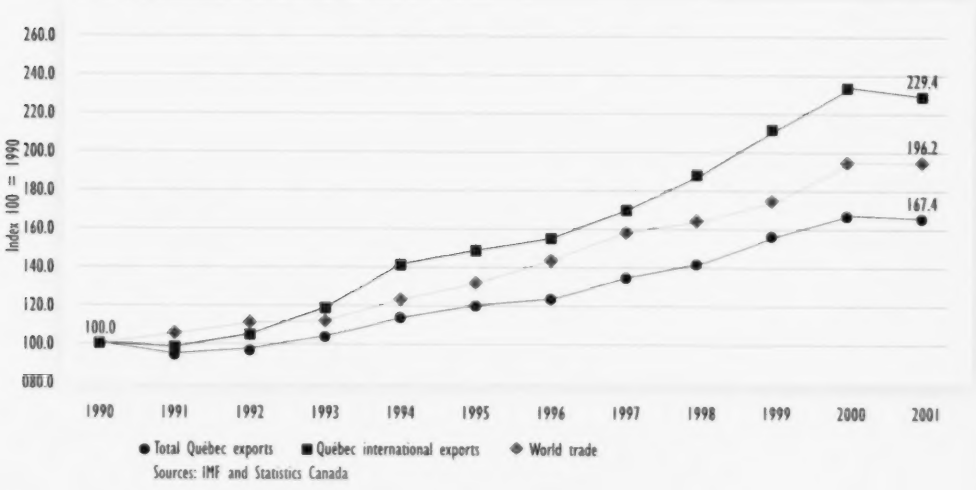
2.1. SIGNIFICANT SALES GROWTH IN THE INTERNATIONAL MARKET

Throughout the '90s, Québec significantly increased its sales in international markets, mainly in the U.S. During this period, the growth in international export of goods and services from Québec was clearly more rapid than the growth in the Québec provincial economy and, notably, higher than increases in global trade. As such, and despite an economic slowdown in 2001, the volume of international exports from Québec increased on average by 7.8% annually since 1990, compared to the global trade growth rate of 6.3% (Figure 1).

THE VOLUME OF INTERNATIONAL EXPORTS HAS GROWN BY 7.8% ANNUALLY

GRAPH 1

EVOLUTION OF TOTAL QUÉBEC EXPORTS, QUÉBEC INTERNATIONAL EXPORTS AND WORLD TRADE (IN VOLUME)



Sources: IMF and Statistics Canada

Québec's performance occurred in a context dominated by globalization. In terms of global commercial trade, export volumes increased during the '90s at a higher rate than in the '80s. In addition, the sectoral and geographical configuration of global commerce changed due to the effect of trade liberalization, the emergence of new industrialized countries and technological advances (Inset 3).

Inset 3. Evolution of global trade since 1990

The volume of global trade increased each year since 1990, except for 2001 when it held steady at the same level as in 2000. All the larger regions in the world contributed to the strong growth of global trade, but some more than others.

North America and Latin America were the two regions that demonstrated the best performance during the last decade in terms of international trade due mostly to the aggressiveness of the North American economy and the implementation of several trade agreements, notably the Free Trade Agreement (FTA) between Canada and the U.S., the North American Free Trade Agreement (NAFTA) and the Southern Common Market (MERCOSUR) uniting Brazil, Argentina, Uruguay and Paraguay.

In addition, trade growth was very uneven depending on the category of goods and services examined. In the case of goods, the increased value of manufactured goods was due in large part to the sale of office machines (computers) and telecommunications equipment, which represented 9% of global merchandise exports in 1990 and grew to 15% in 2000. By comparison, the sector share represented by primary goods dipped significantly, from 27% to 22%, largely due to the substandard performance of the agricultural sector.

Emerging economies, with China and Mexico topping the list, now contribute to the increasingly stiff competition between industrialized countries. In China, the average annual increase in the value of international trade of goods and services was at 15% from 1990 to 2001, while Mexico stood at 12%, compared to an increase of 5.5% for trade worldwide. In terms of the value of commercial trade, China has now surpassed Canada in trade while Mexico is not far behind.

2.2. Stable or recessionary market shares

Exporters in Québec have proven aggressive and a good number of them have taken advantage of business opportunities offered by the evolution of the international trade environment. Nonetheless, Québec's share of imports from the three largest geographic markets in which the province is active (the U.S., the rest of Canada and outside of North America), at best held steady during the '90s. Indeed, Québec's share has remained stable in the U.S. and regressed in the other two markets, particularly in the rest of Canada.

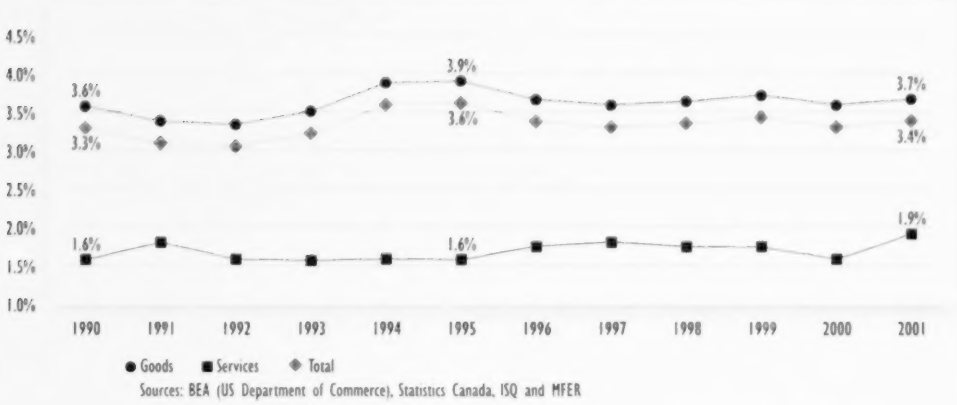
In the U.S., not much progress in market share

Quebec's current position in American imports, much as the rest of Canada, is more or less the same as at the beginning of the '90s (Figure 2). This performance is surprising given that the FTA has favoured gains.

A VERY FAVOURABLE ENVIRONMENT, BUT WITHOUT SUBSTANTIAL CHANGE IN QUÉBEC'S SHARE OF AMERICAN IMPORTS

GRAPH 2

QUÉBEC'S SHARE OF IMPORTS OF GOODS AND SERVICES FROM THE UNITED STATES



Sources: BEA (US Department of Commerce), Statistics Canada, ISQ and MFER

Even if they are not that pronounced, the fluctuations in Québec's market share in American imports have had a particularly significant impact on the province's economy, especially in terms of goods since they represent more than 90% of Quebec's exports to the United States.

Quebec's market share in the import of goods in the U.S. peaked at 3.9% in the middle of the last decade. If Québec had retained its 1995 market share in the American import of goods, it would have exported more than an additional $4 billion in 2001.

Since the beginning of the '90s, the two big winners in the American market are Mexico and China whose shares doubled (from 6% to 12%) and tripled (from 3% to 9%), respectively. Western Europe maintained its position (around 20%) while Japan's market share fell significantly (from 18% to 11%).

An important slowdown to the rest of Canada

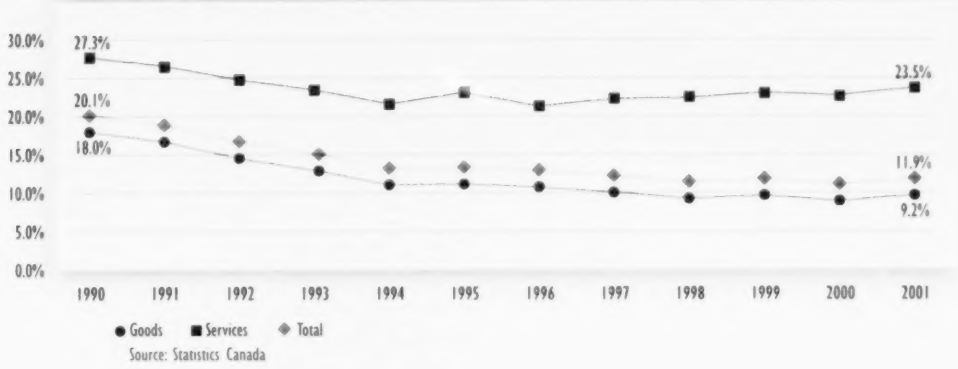
Québec's market share in the imports of goods and services to the rest of Canada has dipped since the beginning of the '90s, a direct consequence of the weak increase in its exports to this market. The downturn was pronounced from 1990 to 1994, then moderate up until 1998. Québec's market share has held steady since.

MARKET SHARE WENT FROM 18% TO 9% IN THE GOODS SECTOR

Québec's slowdown is particularly apparent in the goods sector where Québec's export market share dropped by half from 1990 to 1998 before levelling off at 9%. The downturn is clearly less pronounced in the area of services where there was a partial recovery of losses since 1996 (Figure 3).

GRAPH 3

QUÉBEC'S SHARE OF IMPORTS OF GOODS AND SERVICES FROM THE REST OF CANADA



Source: Statistics Canada

Québec exporters of goods active in markets in the rest of Canada are numerous and experienced: one manufacturer out of two exported in 1997. Their success in this market may be explained in part by the increased rationalization of production activities of many companies with the extension of the FTA. To better penetrate the American market, some of these companies have adopted a strategy of specialization. They have, therefore, ceased to produce certain products and, as a result, reduced their presence in the Canadian market. In many ways, this is a normal and anticipated evolution even if the major market losses in the rest of Canada remain a concern. This loss of market share may also be explained by increased foreign competition and the influence of certain countries that enjoy low production costs, primarily Mexico and China. The market share of these two countries in the Canadian import market for goods has steadily increased since 1990, up from 2.3% to 7.2% in 2001. The U.S. market share continued to dominate at 64% in 2001 but has decreased steadily since 1998 when its share stood at 68%.

Problems to tackle outside of North America

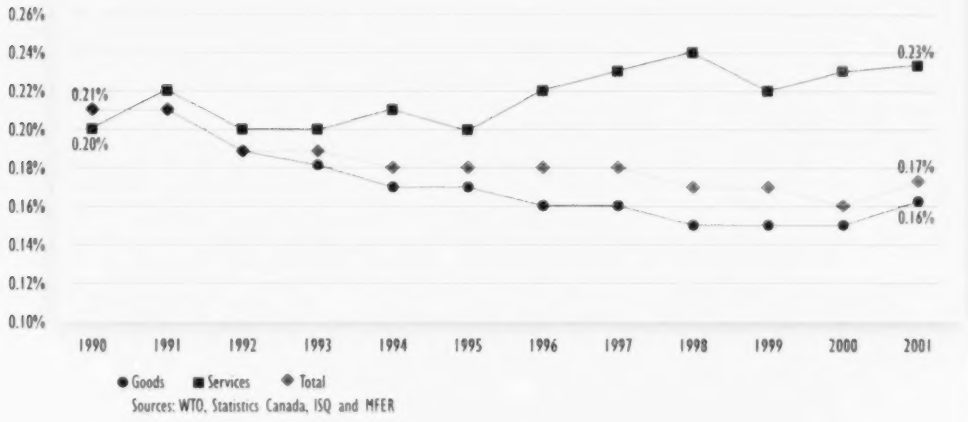
Outside of North America, the Québec import market share stood at 0.17% in 2001, a decrease compared to the beginning of the '90s. This downward trend was felt essentially in the commodities sector since Québec's market position in the service sector had improved (Figure 4).

DECREASE IN THE NUMBER OF EXPORTERS TO MARKETS BEYOND NORTH AMERICA

The market beyond North America offers some interesting business possibilities but these opportunities are often difficult to pin down. In addition, the pronounced infatuation Québec goods exporters had with this market in the '90s has dwindled. Indeed, the number of exporters active in this market dipped by 21% from 1996 to 2000, a slowdown similar to that observed in the rest of Canada (Inset 4).

GRAPH 4

QUÉBEC'S SHARE OF IMPORTS OF GOODS AND SERVICES FROM OUTSIDE NORTH AMERICA



Sources: WTO, Statistics Canada, ISQ and MFER

Nonetheless, 32% of Québec commodities exporters to international markets, or roughly 2,700 exporters, continued to sell goods in markets outside of North America in 2000. Roughly 60% have adopted a strategy of market diversification, because they operate in the American market as well.

2.3. EXPORTS CONCENTRATED IN NORTH AMERICA

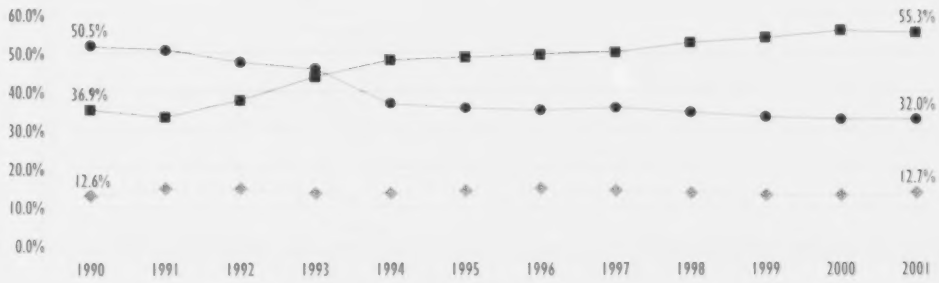
EXPORTS FROM QUÉBEC: NEARLY 90% TO NORTH AMERICA

The evolution of Québec exports has resulted in foreign markets remaining concentrated in North America, a market representing 90% of Québec exports. Nevertheless, since 1993, the American market has replaced the rest of Canada as Québec's primary export market. On average, since 1990, the market outside of North America has absorbed just over 10% of Québec's exports (Figure 5).

The size of the North American market clearly reflects the continental character of Quebec exports. Québec's economy has developed in response to the needs of this market due to its proximity and strength, and due to the existence of the FTA. Even if the market outside North America holds out many possibilities, its geographic distance, economic and political differences from one country to another as well as sometimes drastic fluctuations in demand makes access more difficult especially for small businesses.

GRAPH 5

EVOLUTION OF THE RELATIVE SHARE OF QUÉBEC EXPORTS OF GOODS AND SERVICES BY DESTINATION



Sources: Statistics Canada, ISQ and MFER

2.4. An increase in the number of exporters and sales

In the commodities sector, 35% more exports in seven years

The growth of Québec's international exports during the '90s was accompanied by an equally significant increase in the number of exporters. In the commodities sector alone, their number went from a little less than 6,300 in 1993 to almost 8,500 in 2000, an increase of 35% (Inset 4).

This increase occurred mostly between 1993 and 1997 and there has been little increase since. The slowdown may be explained primarily by a decrease in the number of new exporters and by the significant downturn in the number of exporters active in markets outside of North America. Only exporters to North America have increased since 1997 but at a less rapid rate than before (Inset 4).

Average sales up 85% since 1993

The strong growth in the average value of sales per exporter constitutes another indicator of the vitality of Québec businesses in foreign markets. This value has gone from $4.6 million in 1993 to $8.5 million in 2000, an increase of more than 85%.

Inset 4. Québec exporters of goods in the international market

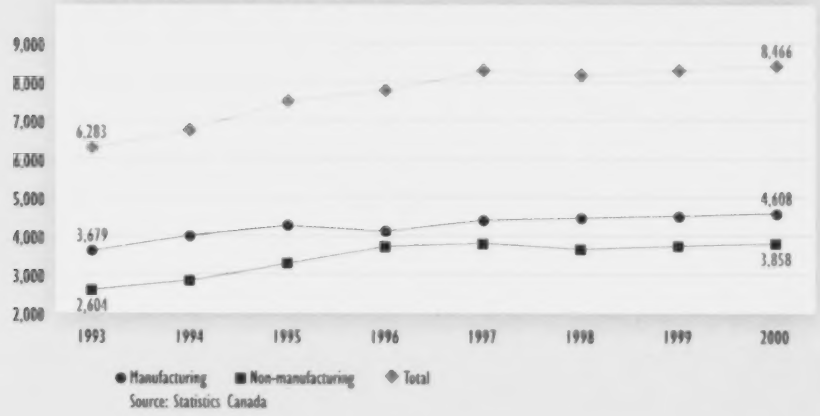
The number of Québec goods exporters in the international market rose to nearly 8,500 in 2000, specifically, 4,608 exporters of manufactured goods and 3,858 of non-manufactured goods (see note below the inset). The two groups increased from 1993 to 2000, but the increase in the number of exporters of manufactured goods was more consistent (Figure 6).

The number of new exporters was, on average, 900 per year since 1994. This number, however, has dropped to less than 600 per year since 1998. Their emergence has not translated into an increase in the total number of exporters because many of them, newcomers and old hands, operate episodically in international markets (Section 2.6).

The value of foreign sales per exporter increased rapidly until 2000, particularly for exporters of manufactured goods (Figure 7). These leading exporters represent less than 55% of all exporters but account for 85% of all exports.

GRAPH 6

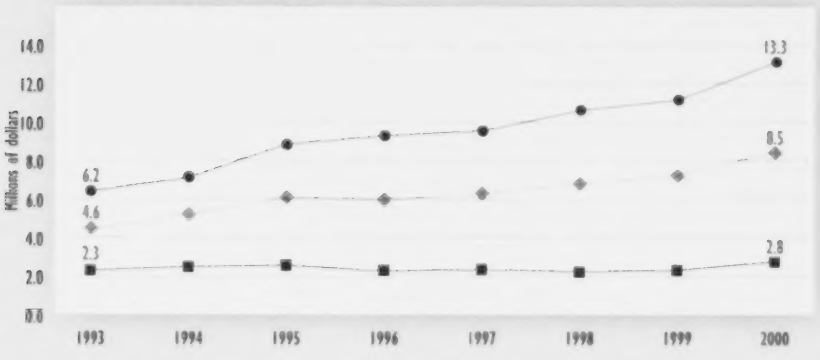
EVOLUTION OF THE NUMBER OF QUÉBEC EXPORTERS OF GOODS TO INTERNATIONAL MARKETS



Source: Statistics Canada

GRAPH 7

AVERAGE VALUE OF SALES ABROAD BY QUÉBEC EXPORTERS OF GOODS



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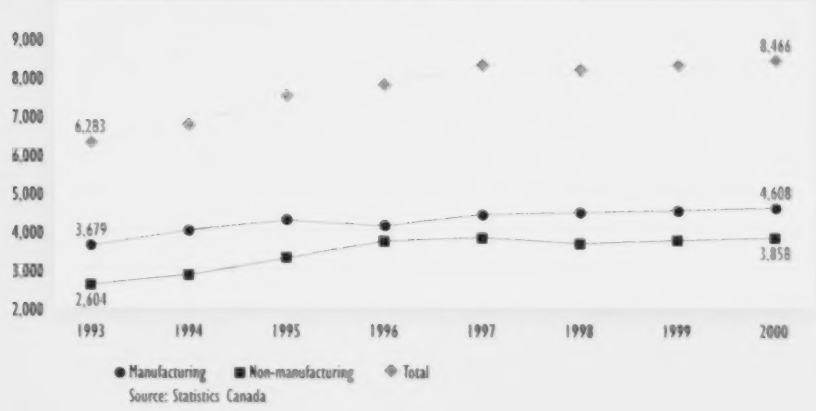

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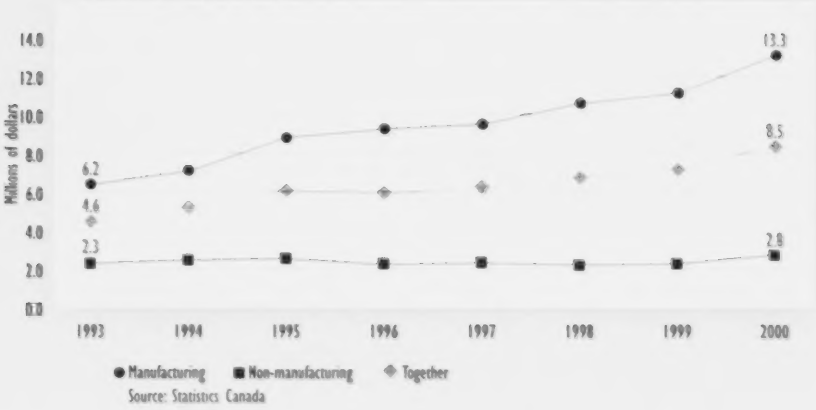
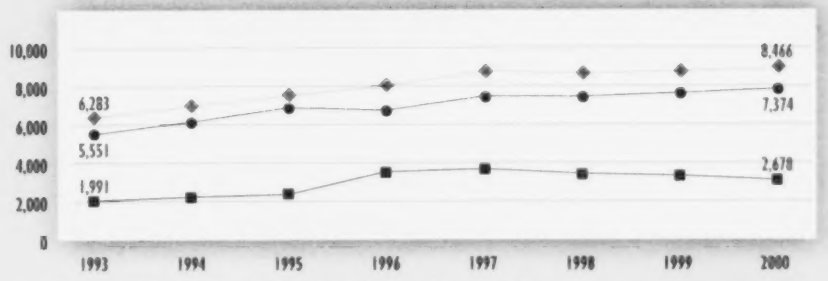


Source: Statistics Canada

The number of exporters to the American market rose to nearly 7,400 and to more than 2,700 exporters to the market outside of North America (Figure 8). Nearly 1,600 of them are active in both markets (Figure 9). Exporters specializing in the American market (68%), those specializing in the market outside North America (13%) and those who diversify (19%) have experienced strong growth since 1993, but only exporters specializing in the American market have seen their numbers increase since 1996. In the other two cases, the number of exporters fell by more than 20% (Figure 9).

GRAPH 8

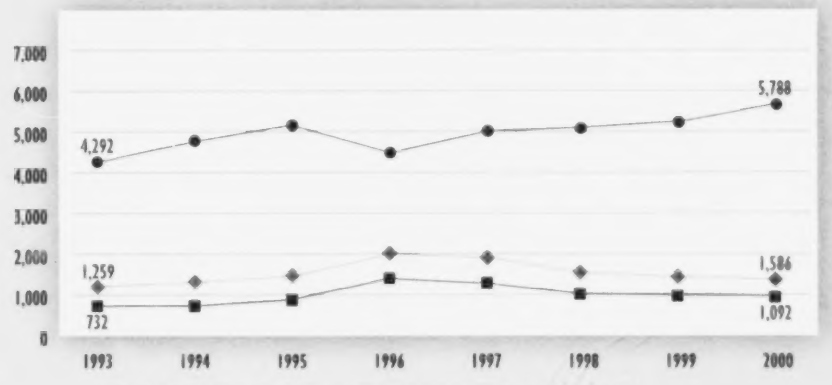
EVOLUTION OF NUMBER OF QUÉBEC EXPORTERS OF GOODS TO INTERNATIONAL MARKETS, THE UNITED STATES AND COUNTRIES OTHER THAN THE UNITED STATES



Source: Statistics Canada

GRAPH 9

EVOLUTION OF THE NUMBER OF QUÉBEC EXPORTERS OF GOODS SPECIALIZED IN THE UNITED STATES MARKET, IN MARKETS OUTSIDE THE UNITED STATES AND IN BOTH



Source: Statistics Canada

Note: Exporters of non-manufactured goods include businesses in the primary sector and the service sector that export goods as their main activity, as in the case of wholesalers, or as a secondary activity that complements their export of services.

2.5. The gap between Québec and Canada narrows

A greater increase in Québec than in Canada in international markets

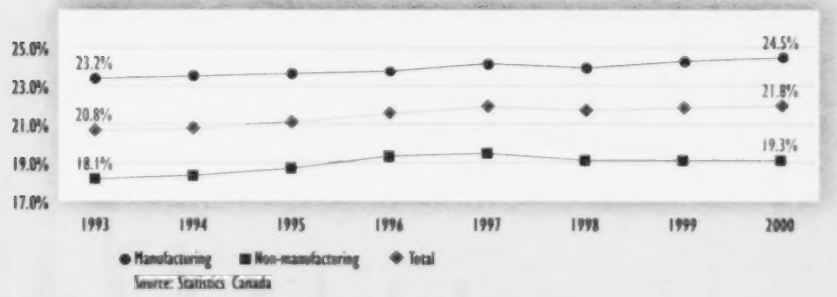
Several indicators show that the progress of Québec in the international market was superior to that of Canada from 1993 to 2001 (Inset 5). This success, however, did not allow Québec to totally bridge the gap relative to Canada. In 2001, there was still a difference of more than 2 percentage points in terms of the importance of international exports in their economies, i.e., 41% in Québec compared to 43.3% in Canada. In addition, in 2001, within the manufacturing sector, which represents 90% of goods exported from Québec, the share of products exported stood at 52.1% in Québec as compared to 57.5% in Canada.

Inset 5. Québec's and Canada's performance in the international market

The increase in the number of Québec commodities exporters in the international market was higher than Canada's from 1993 to 2000 (Figure 10). The average value of their international sales also increased more rapidly than that of Canadian exporters (Figure 11).

GRAPH 10

EVOLUTION OF QUÉBEC'S RELATIVE SHARE IN THE NUMBER OF EXPORTERS OF GOODS IN CANADA



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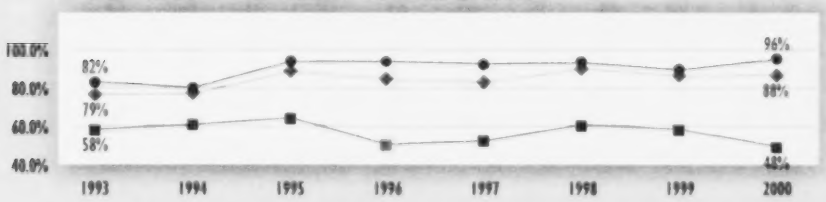

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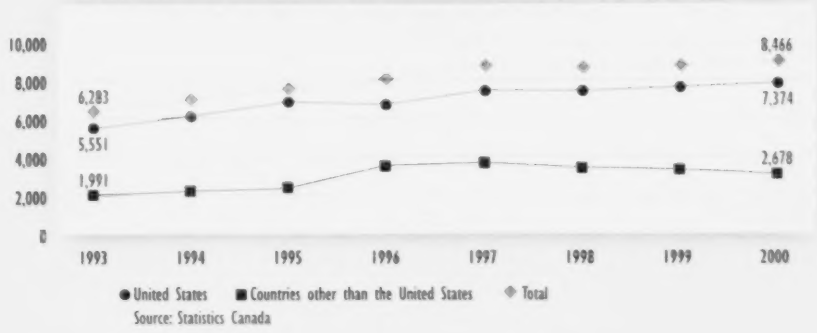

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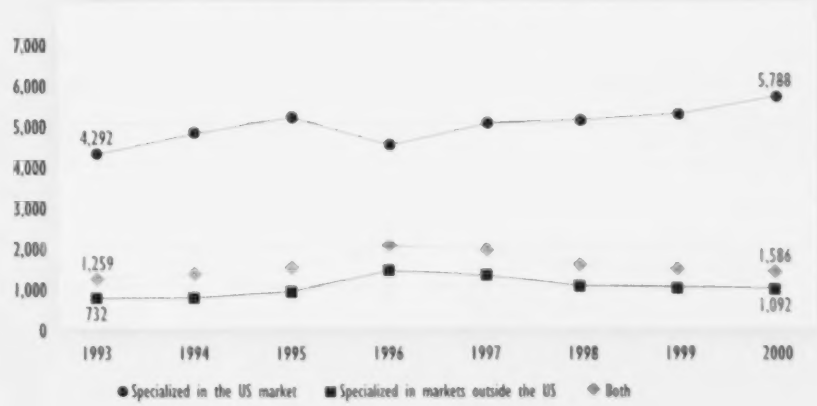

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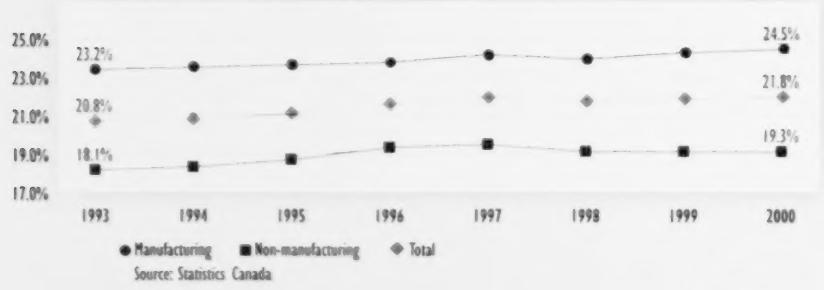

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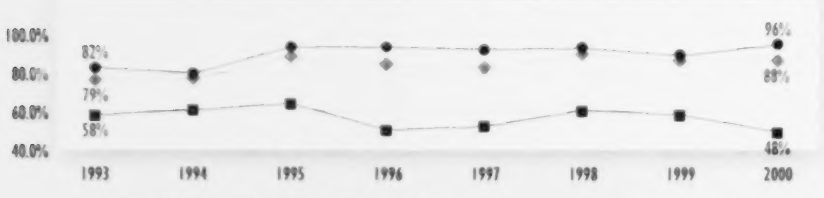
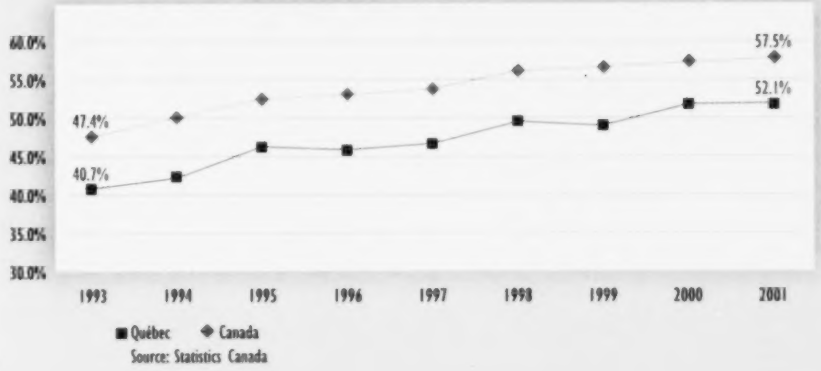


Source: Statistics Canada

This vitality may be explained by a more rapid increase in Québec manufacturing shipments sold abroad than in Canadian shipments (Figure 12). In addition, there is an improvement in Québec's position relative to Canada in terms of the importance of international exports in the economy (Figure 13).

GRAPH 12

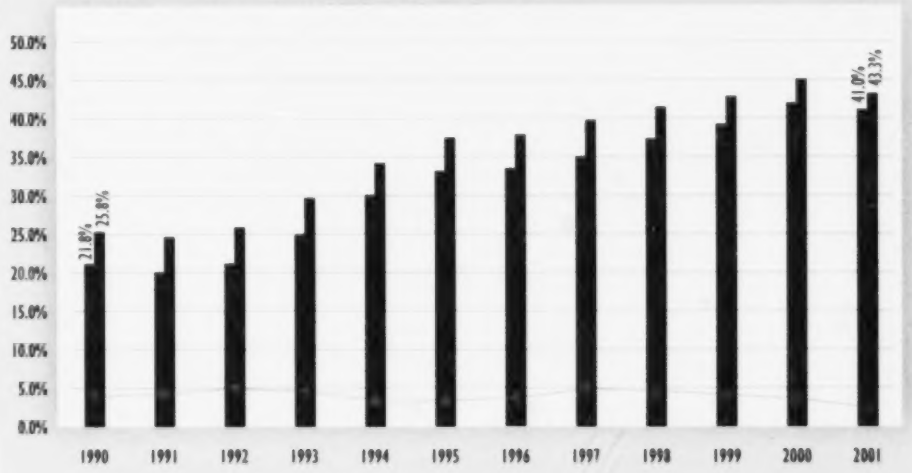
SHARE OF QUÉBEC AND CANADIAN MANUFACTURING SHIPMENTS EXPORTED TO FOREIGN MARKETS



Source: Statistics Canada

GRAPH 13

DIFFERENCE BETWEEN QUÉBEC AND CANADA IN THE RATE OF INTERNATIONAL EXPORT OF GOODS AND SERVICES IN THE ECONOMY



Source: Statistics Canada

The difference between their industrial structures is a primary determining factor for the gap between Québec and Canada in terms of the importance of international exports in the economy. Indeed, the structure in Québec is based less on strong export industries, such as the automotive industry, than in the rest of Canada, relying as it does on the primary and manufacturing sectors.

A second determining factor is the number of exporters. Québec lags behind Canada in terms of the proportion of manufacturing companies that export. This disparity affects the large majority of manufacturing industries. It explains in part why the portion of shipments from Québec destined for foreign markets is lower than the portion of Canadian shipments in most industries (Inset 6.)

A SLOWDOWN IN A GREAT NUMBER OF INDUSTRIES

INSET 6. A VARIABLE REALITY DEPENDING ON MANUFACTURING INDUSTRY

Export performance varies considerably from one manufacturing industry to another. The portion of shipments destined for foreign markets, calculated based on customs export data, is lower than 10% in the beverage and tobacco industries and in printing, but higher than 80% in the transport materials industry, computer and electronic products, and machinery. Nearly half of Québec's manufacturing industries export more than 50% of their shipments to foreign markets (Table 1).

In addition, the majority of Québec's manufacturing industries export a less significant portion of their production than Canadian industries. Only six of Québec's 21 manufacturing industries have a higher proportion than that of their Canadian counterparts. These are the textiles industry, printing, primary metal processing, computer and electronic products, transport materials and other products.

TABLE 1

SHARE OF INTERNATIONAL EXPORTS BY MANUFACTURING INDUSTRY IN QUÉBEC AND CANADA IN 2001 (%)

	Québec	Canada	Difference
Food	19.2	25.3	-6.1
Alcohol and tobacco	7.7	12.8	-5.1
Textiles	52.9	51.9	1.1
Textile products	24.3	31.8	-7.5
Clothing	38.9	40.5	-1.6
Leather products	27.0	31.3	-4.3
Wood products	59.0	67.3	-8.3
Paper	65.9	72.4	-6.5
Printing	17.6	16.9	0.8
Petroleum and gas products	8.9	29.9	-21.0
Chemicals	35.1	52.8	-17.6
Rubber products and plastics	48.4	52.1	-3.7
Non-metallic minerals	27.7	29.6	-1.9
Primary processing of metals	69.8	62.1	7.7
Metal	28.5	30.7	-2.2
Machinery	80.4	87.2	-6.8
Computer and electronic products	82.9	78.9	4.0
Electrical products	53.3	61.9	-8.6
Transportation equipment	90.7	85.4	5.3
Miscellaneous	58.7	59.5	-0.9
Divers	66.3	58.1	8.2
Total	**52.1**	**57.5**	**-5.4**

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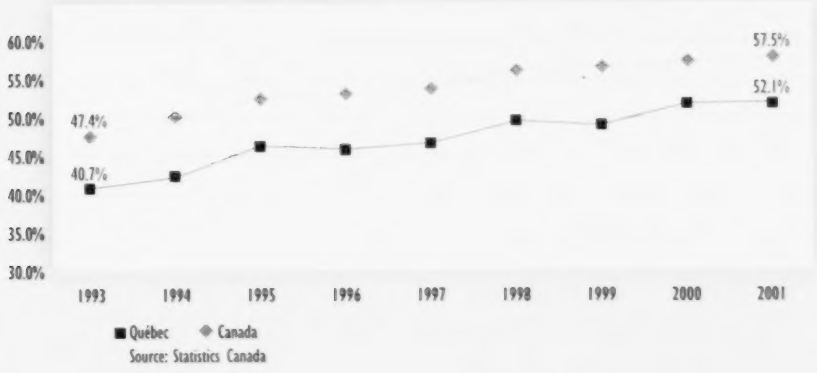

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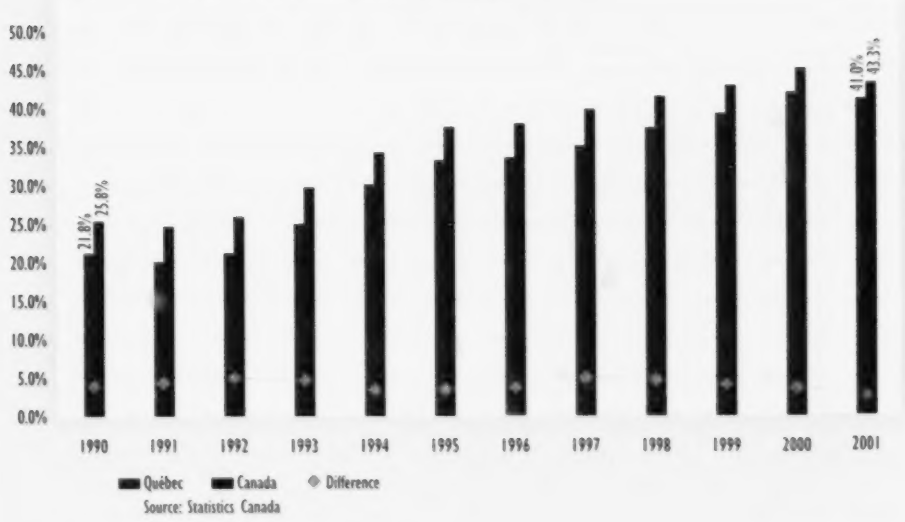

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Source: Statistics Canada

Overall, in 1999, the proportion of manufacturing companies that exported to foreign markets was less than 20% in Québec in relation to Canada. This means that, to achieve the same proportion as Canada, the Québec manufacturing industry needs to add 1,000 export producers.

In 2000, the average value of foreign export sales ($13.3 million) was similar to Canada's ($13.9 million). This similarity, however, masks the important sectorial differences since, in Québec, foreign export sales in 15 of 21 manufacturing industries are lower compared to Canada.

2.6. Exporters' fragile presence in foreign markets

Various indicators clearly demonstrate that a large number of Québec's exporters are present in foreign markets only sporadically. This phenomenon may be explained not only by the difficulty of selling abroad, but also by the volume of changes that businesses must make to their organizations in order to handle increased sales.

Exporters' lack of continuity

One exporter in two exports every year

From among the 6,283 Québec exporters of goods in the international market in 1993, one out of two exported every year up until 2000, while the others exported sporadically. Moreover, only 3% of companies who exported in 1993 exported a second time.

A little more than a third of new exporters export every year

This lack of continuity is even more evident among new exporters. For example, only 37% of exporters who began exporting in 1994 continued to do so regularly until 2000.

The most irregular in export operations were small exporters. In fact, 17% of Québec exporters who realized foreign sales of less than $100,000 in 1993 did not export regularly thereafter.

The export behaviour of Québec's goods exporters does not differ significantly from that of Canadian exporters in terms of export discontinuity.

Discontinuity of products

Only 52% of products exported are exported every year

Discontinuous foreign sales of a large number of exporters also turns up in the analysis of product sectors. Indeed, some 5,900 Québec products were exported between 1993 and 2000. However, only 52% were exported every year (Figure 14). Also, the regularity of product exports decreases as the number of years increase.

The same phenomenon may be observed in Canada. The degree of discontinuity in foreign sales, however, is higher than in Québec primarily because of the larger number of exporters.

GRAPH 14

REGULARITY OF INTERNATIONAL EXPORTS OF QUÉBEC AND CANADIAN GOODS, 1993-2000

Source: Global Trade Information Services, Inc.

Analysis by product sector also clearly demonstrates the difficulties experienced by Québec exporters in markets outside the U.S. The product export discontinuity in these markets is clearly more significant than in the American market (Table 2).

GREATER DISCONTINUITY IN MARKETS OUTSIDE OF THE U.S.

TABLE 2

VOLUME AND REGULARITY OF INTERNATIONAL EXPORTS OF QUÉBEC GOODS TO CERTAIN COUNTRIES

	Value of exports 2000	Products exported at least one year 1993-2000	Products exported every year 1993-2000	
	($000,000)	Number of products	Number of products	%
United States	63,450	5,624	2,721	48.4
United Kingdom	2,187	2,400	256	10.7
Germany	1,169	2,002	166	8.3
France	836	2,332	226	9.7
Japan	611	1,659	151	9.1
China	350	1,090	34	3.1
Brazil	257	1,021	52	5.1
Mexico	238	1,103	29	2.6
World	74,152	5,890	3,046	51.7

Note: Products are defined according to the eight-digit classification of the Harmonized Commodity Classification System.

Source: Global Trade Information Services, Inc.

In summary

This outlook demonstrates the progress made by Québec businesses in foreign markets in the course of the last few years. This progress, however, is not sufficient for overall improvement of Québec's market share in an environment of stiff competition in diverse markets. There is still untapped potential and the objective of the current strategy is to encourage companies to take further advantage of business opportunities in these markets.

3. CHALLENGES TO FACE

In the context of greater economic integration, nearly every country is relying increasingly on exports to spur its development. For Québec, this is all the more important owing to the modest size of its domestic market.

Since the 1990s, Québec companies have demonstrated their capacity to take advantage of business opportunities offered in an increasingly open international market: the number of international exporters in Québec has risen significantly along with the average value of their foreign sales.

Progress achieved constitutes a solid foundation on which companies can strengthen and accentuate their presence in overseas markets. Our capacity as a society to achieve the greatest benefit from the gains of recent years may play a particularly determining role if the environment in which Québec exporters operate in the coming years is less favourable than it was in the 1990s.

A MORE TRYING CONTEXT

Québec exporters are already contending with a gradual decrease, on the large American market, in the competitive advantage that the FTA has procured. Preferred access to this market has gradually extended to Mexico since 1994 with NAFTA. Moreover, all of the other Latin American countries may attain this access as well, beginning in 2005, in the context of the Free Trade Area of the Americas (FTAA). In addition, access to the American market has gradually improved for many countries because of WTO agreements, an organization that welcomed China in fall 2001.

COMPETITIVE ADVANTAGE OF FTA WANING

It is therefore in a definitively more open market context, yet one in which competition is increasingly fierce, that Québec companies will expand. In such an environment, knowledge of the potential of various markets, along with the capacity to mobilize private and public resources to conquer them, will have a major impact on the relative performance of various economies.

FIERCER COMPETITION

As mentioned above, there is untapped potential revealed by the disparity between the number of exporters in Québec and in Canada and the value of their respective overseas sales per exporter in most industrial sectors.

Moreover, an examination of a cohort of companies for the period 1993–2000 along with a study of exports per product clearly shows that for many companies, exports all too often result in chance offers. For several SMEs, exporting is not governed by a solidly based, systematic approach intended to consolidate their presence on a target market.

LACK OF CONTINUITY

Furthermore, there is the challenge of maintaining and increasing the geographical presence of Québec companies, irrespective of the geographical market in question.

Focus on the American market

First, Québec companies must continue to focus on the American market with its vast potential. Québec's economic development cannot continue if Québec companies do not successfully conquer the American market. Despite the preponderance of this market in Québec foreign sales, recent performance of Québec exporters in the United States illustrates that it would be a mistake to take this market for granted. The fact that Québec companies barely managed to hold onto their American market share in recent years, despite favourable circumstances, proves that this market demands constant and sustained effort owing to the fierce competition therein.

Seize opportunities in the rest of Canada

Second, Québec companies must take a keen interest in the market in the rest of Canada. Knowledge of this market, its proximity and relatively large growth potential, particularly in Ontario, are all advantages that companies are not tapping sufficiently. For these reasons, it is important to support companies that wish to seize more trade opportunities on this market.

Face the challenge of markets outside North America

Third, Québec companies should seriously consider targeting markets outside North America, not only because of their weight in world trade, but also because the liberalization of trade is facilitating access to these markets. While some Québec companies face the challenge of cultural differences and the distance that separates them from these markets, all exporters must adopt a veritable business plan to systematically and continuously diversify their markets. If all sectors and all markets offer trade opportunities for exporters, they do not all have the same degree of difficulty or the same value for Québec companies. Priorities must be established that simultaneously take into account the supply of Québec goods and services and demand growth outlooks for these products on each geographical market.

To face these challenges, it is essential that a new action framework be adopted to spur companies to:

- export continuously and systematically;
- consolidate their market;
- better harness the potential of the U.S. market;
- focus considerably more on markets in the rest of Canada;
- develop new markets outside North America by targeting the most promising areas.

4. THE NEW EXPORT DEVELOPMENT STRATEGY: A MORE FOCUSED, PARTNERSHIP-BASED APPROACH

The need to adapt to the increasingly competitive environment in foreign markets, the importance of developing the full export potential of businesses and the necessity of improving the efficiency of related organizations' activities are all driving forces behind the Québec government's decision to renew its export development strategy.

Québec's Export Development Strategy is based on two guiding principles:

- focusing on specific businesses and markets;
- joining forces with various stakeholders.

These two principles transcend the priority areas outlined in this strategy. Their objective is to clearly define the framework and increase the effectiveness of government involvement in export development matters.

In terms of the methods used to implement this strategy, there are four basic priority areas:

Priority 1 Adopting a continuous, adapted approach to supporting businesses

Priority 2 Reinforcing services geared to exporters

Priority 3 Setting up an export network

Priority 4 Promoting increased collaboration among the various entities involved in market development.

TWO MAIN PRIORITIES

FOUR INTERVENTIONIST PRIORITIES

4.1. GUIDING PRINCIPLES

4.1.1. FOCUSING ON SPECIFIC BUSINESSES AND MARKETS

In order to maximize the impact of this initiative, this strategy proposes specific actions to be undertaken. This approach requires certain choices to be made as to the type of businesses and geographical markets to prioritize.

In the context of its export development strategy, Québec has always given top priority to SMEs, due to the fundamental role they play in the economy and their particular export-related needs. In recent years, efforts have been deployed to increase the number of new exporters, including the government strategy of reaching 2,000 new exporters by the year 2000. It bears mentioning that this objective was achieved a full year ahead of schedule.

However, statistics show that a significant proportion of exporters do not export regularly and systematically to foreign markets. This can be explained by the fact that the corporate restructuring efforts required for adhering to export-related requirements are costly, risky and time- and labour-intensive. Many a business executive has balked at the prospect of undertaking such a major endeavour.

Through this strategy, the government will continue to support new exporters. However, it will step up its focus on businesses that already possess the basic profile necessary to do well in foreign markets but that need to improve certain aspects, such as their international marketing expertise. Support for these firms must be fine-tuned to their specific needs, based on factors such as the stage of development of their export operations and the characteristics of the sector in which they operate.

MORE EXTENSIVE INTERVENTIONS DURING THE CONSOLIDATION AND DIVERSIFICATION PHASES

At the market consolidation and diversification stages, it would be more effective to concentrate on SMEs that have a well-defined business strategy rooted in growing sales in foreign markets. By placing emphasis on these firms, the impact will be more immediate.

Large corporations already have an export infrastructure in place. Their needs in terms of support are therefore not the same. This does not mean, however, that this strategy excludes them. In fact, they will continue to receive the same support they currently enjoy with respect to securing business opportunities either through government-led trade missions to foreign markets or via access to services available through the network of Québec delegations and offices.

TARGET MARKETS THAT OFFER THE BEST BUSINESS OPPORTUNITIES

Not all markets hold the same interest for Québec businesses. Sound choices must be made based not only on the vitality of each market, but also on the real potential of each sector or territory. This will make it possible to optimize the use of the limited resources of businesses, governments and other stakeholders.

OBJECTIVE CRITERIA FOR SELECTING PROMISING MARKETS

Based on this perspective and in order to better focus on export development efforts, the MFER's *Mission Industrie et Commerce* has developed an approach designed to select the most promising markets in terms of business opportunities for Québec (Inset 7). This information will be made available to all those involved in the export development process so they can develop their own activities to target specific countries, sectors and products with the highest potential. The list of priority countries will obviously be the basis for choices made in activities spearheaded by the government and the export development agencies it supports.

Inset 7. Analysis chart for prioritizing countries in terms of market development

In order to facilitate the prioritization of countries in terms of market development for Québec, an analysis chart has been developed. This grid uses 13 criteria to assess the potential of 75 countries and territories. The first seven criteria help establish the overall potential of the various markets. The remaining six are designed to help match supply, namely goods available in Québec, and demand in importing countries.

The criteria for determining each country's potential are:

- country's level of development;
- value of imports of goods and services per capita;
- degree of diversification of imports;
- current outlook for GDP growth;
- importance of North America in terms of suppliers;
- risk associated with exporting to this country;
- level of protectionism.

The other criteria revolve around the ties between Québec and the countries, as well as the range of goods available in Québec for export:

- average value of Québec exports to the country in question over a three-year period;
- fluctuations in Québec's exports to the country over the previous five years;
- value of imports from all other countries, exclusively in terms of the type of goods Québec exports to international markets;
- fluctuations in the country's imports over the previous five years, exclusively in terms of the type of goods Québec exports to the global market;
- proportion of Québec's higher-potential exports, in particular the proportion of goods for which Québec has a proven competitive edge or for those for which Québec's market share in the country is considered to be on the rise;
- existence of a freer trade or economic cooperation agreement over a sustained period of time.

These criteria are categorized according to importance. Among those considered to be the most significant are the value of Québec exports by country – as this criterion in itself provides a fair approximation of the possibility for Québec businesses to conduct profitable ventures in a given country – as well as the countries' buying power and ease of access to their markets. All countries are thus rated using these criteria, which are weighted according to their relative importance. The resulting scores are then used to rank the countries by groups of countries with a real potential in terms of Québec exports.

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Table 3, below, presents a list of the countries that scored the highest in the compilation exercise performed in late 2001. This list ranks the countries that represent the best business opportunities and should therefore be among the countries prioritized by Québec. The complete list of countries analyzed and their respective ranking is appended to this document.

TABLE 3

RESULTS OF THE ANALYSIS OF PRIORITY COUNTRIES

Ranking	Country	Rating
1	United States	39.7
2	Rest of Canada	39.7
3	Germany	34.4
4	United Kingdom	33.9
5	Mexico	32.2
6	Australia	31.1
7	France	30.8
8	Netherlands	30.8
9	Ireland	29.7
10	Japan	28.9
11	Italy	28.1
12	Spain	27.5
13	Belgium-Luxembourg	26.9
14	Chile	26.7
15	Denmark	26.7
16	Switzerland	26.7
17	China	25.8

THE IMPORTANCE OF ACTION PLANS

Adopting a more focused approach to this issue will influence not only the actions undertaken in relation to the four priority areas of this strategy but also the development of numerous export action plans in order to take into account both the prevailing circumstances of the prioritized geographical markets and the particular characteristics of specific regions of Québec.

- Specific action plans will be developed for the Canadian and U.S. markets, considering the strategic importance of these areas for Québec businesses. Furthermore, as far as the rest of Canada is concerned, the majority of technical and financial support measures described in the present strategy will be made available to companies interested in developing the potential afforded by this market.
- Action plans for other countries or territories will be developed along the same lines as the *Décennie québécoise des Amériques*. Launched in 1999, this initiative is designed to support businesses' market positioning efforts with respect to the Free Trade Area of the Americas.
- Sector-specific action plans will also be developed based on the industrial strategies of the MFER's *Mission Industrie et Commerce* or other departments, such as the MAPAQ's plan for the food processing industry. These action plans will map out the efforts to be deployed within the context of these market development strategies.
- Regional action plans will be put together in accordance with various regional strategies, as was the case for the *Plan de diversification industrielle de la Mauricie*.

These plans will help guide the day-to-day actions of the government and other stakeholders. They will also provide the foundation for the annual operational programs designed to support businesses in their export endeavours. As a result, the choice of trade missions or fairs and the allocation of funds to businesses through the *Impact PME* program will be carried out in accordance with the priorities set forth in these action plans.

The government and its partners will therefore be working in a more focused manner. Needless to say, however, there is still room within these programs for specific, well-structured projects targeting geographical markets and sectors that have not been prioritized but that nonetheless show excellent potential.

4.1.2. Joining forces

A large number of Québec companies already work with various industry or regional organizations active in the field of export development. Some of these organizations play a key role within these companies, especially with regard to export-related training and the development of foreign trade missions.

These organizations are at the heart of the partnership proposed in the present strategy. This increased emphasis on partnership is justifiable due to the synergy and multiplier effects that will be generated as a result, giving a greater number of Québec businesses access to quality services. Moreover, past experiences in various countries have highlighted the importance for governments to team up with the private sector to implement and maximize the results of an export development strategy.

Entrust partners with the carrying out of activities

Joining forces means that once the annual operational program is established for activities such as trade missions, the government will be able to call on its partners for assistance in bringing individual projects to fruition. In these cases, the partners would be responsible for the planning and execution of an activity. Their responsibilities would include the production of a report on, among other things, participants' feedback and the degree to which pre-established objectives were met. The resulting information and proposals will have an influence on government programming in the following year.

Partnerships between the public and private sectors for certain measures

This approach also allows the government to call on private-sector organizations to implement new measures set forth in the export development strategy. As a result, in certain cases, proposals will only be translated into action if the partners agree to collaborate on their implementation. For other measures, various public- and private-sector partners will be summoned, for instance with regard to the development of networks of exporting companies (Priority 3).

Technical and financial support for partners

The government will also continue to provide financial support to partners whose initiatives correspond to the objectives of this strategy. The MFER's *Fonds de partenariat* will be the main tool used in this regard. The government will also encourage partners to develop export action plans and will provide them with the technical and financial support to do so. It will also continue to financially back export commissioners, at least until the assessment of their services has been completed.

The concerted efforts of the government and its partners in the implementation of this strategy will be deployed in a complementary manner, according to the particular strengths of each and taking care to avoid any redundancies. This approach will therefore make it possible to optimize the limited resources of all those concerned. In this respect, the fourth priority area of this strategy proposes the implementation of collaborative mechanisms involving the various stakeholders so that the role of each can be better defined, based upon their respective areas of expertise and individual mandates. These mechanisms will also enable private-sector organizations to work closely with the government to establish guidelines and objectives related to export development.

4.2. Priorities for action

The modest size of their domestic market means that, to ensure their development, Québec businesses must turn to external markets from the earliest stages of their growth, unlike companies that can rely on a more sizable domestic market. Many businesses are thus forced to work in foreign markets without necessarily possessing all the tools they need to succeed, and/or without having mastered the multiple facets of international-level marketing. From this perspective, the current strategy calls for several measures, grouped into four priorities for action. These measures are aimed directly at businesses, or the agencies that support them.

4.2.1. Priority 1: Adopt an ongoing, adapted approach

At the heart of the strategy: business coaching

The Québec government will refocus and reinforce its approach to supporting businesses so as to swell the ranks of export companies operating regularly and systematically in foreign markets.

The current approach has enabled a large number of Québec-based businesses to realize their first international sales. Evidently, however, there are many exporting companies that do not export in a consistent manner. Too often, their initial experiences as exporters lead to an awareness of the scope of the work involved in ensuring that they export consistently, and the changes they must make to their working methods and production capacity. There is little support provided to businesses seeking to implement the required changes. Consequently, some businesses are hesitant, while others tend to react rather than act – hence the absence of regular exporting and the low sales volumes recorded by many. In many respects, the same phenomenon occurs when an exporter attempts to diversify, especially in markets outside North America.

Review the proposal

Moreover, the effectiveness of the actions currently being taken by governments and other bodies that intervene on behalf of businesses is lowered because their actions take place discontinuously and there is no systematic follow-up with businesses.

From now on, these actions will follow a so-called business approach (see Inset 8) to better meet the needs of individual firms, depending on which stage of their export development they have reached. The new approach will enable more consistent, better-adapted actions.

Inset 8. The MFER's "business approach"

The business approach is a structured action approach taken by an MFER regional industry advisor with a company's senior managers. It enables the advisor to establish a business relationship with the company executive and to arrive at a good overall understanding of the company's needs. The advisor is then able to search for and suggest suitable solutions for the particular difficulties encountered. This approach allows for greater continuity of the actions taken on behalf of a company, and better adaptation of those actions depending on how far the company has progressed in its development. It may on occasion require the contribution of other directorates of the Industry and Commerce mission. It is based on the identification and the satisfaction of the customer's needs, the establishment of a sound business relationship between a senior manager and the industry advisor and the advisor's proper understanding of the various aspects of the company's management process.

The switch to a continuous support approach also requires that the government review its support measures and implement new means if it is to adequately meet the evolving needs of Quebec's exporting firms.

With the implementation of the new priority for action, the strategy will focus on ensuring that companies are better prepared, as well as provide a longer period of support and financial assistance that is better matched to individual businesses' export development needs.

Framework for support to a company

An approach based on evolving business needs

The needs of businesses as well as their expectations with regard to the government and other stakeholders evolve according to a five-stage process, which enables non-exporting firms to become proficient in the export business. The non-exporting firm gradually evolves into:

- **a potential exporter,** i.e., one that expresses a clear desire to begin an awareness and training program, but that is still poorly informed about the business opportunities open to it, as well as about the consequences of working in external markets;
- **a business qualified to export,** i.e., one that possesses the necessary human, financial and technical resources to begin export development, but that must first conduct a diagnosis of its capacity to face the competition and, if need be, boost its competitiveness before tackling foreign markets;
- **a new exporter,** i.e., one that is engaging in its initial export experiences, that exports rarely or sporadically and for which completion of a marketing plan is essential before it will be able to convert business opportunities in foreign markets into profitable projects;
- **an exporter on its way to consolidating** its presence in a particular market, i.e., one that makes systematic investments for the purpose of increasing sales in a given market and that must, at this stage, establish solid trading relationships or more systematically cover the targeted market;
- **an exporter on its way to diversifying** its markets, i.e., one that has gained sufficient experience and possesses the necessary human and financial resources to operate effectively in other markets – which, more often than not, are outside North America and therefore constitute less obvious choices for Quebec-based exporting firms.

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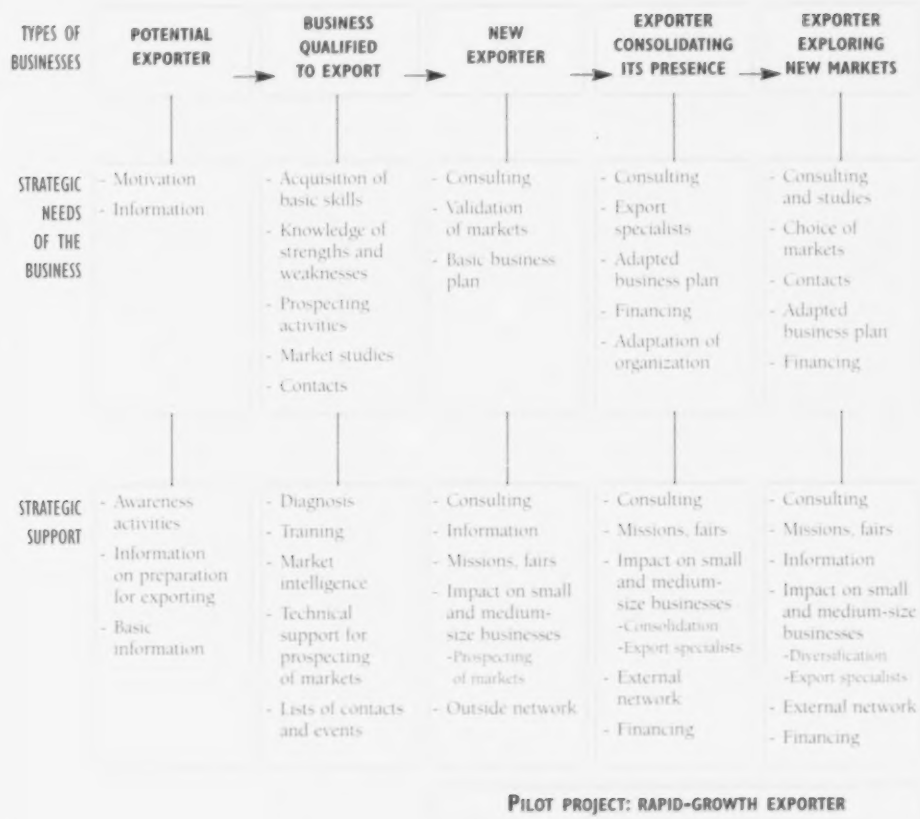
Diagram 1 shows the support framework for SMEs.

DIAGRAM 1

FRAMEWORK FOR SUPPORTING SMALL AND MEDIUM-SIZE BUSINESSES



Potential exporters

The implementation of the Free Trade Agreement, depreciation of the Canadian dollar versus the U.S. dollar and the emphasis on exporting to ensure business development were among the key factors that led a good many companies to explore exporting during the 1990s. Although the context has since changed, it is still possible to increase the number of exporting firms. To do so, businesspeople need an incentive to export: they need to be kept informed of the business opportunities open to them and their firms on external markets.

AWARENESS AND INFORMATION

The government, jointly with its partners, will continue its awareness-raising and informational activities so as to keep potential exporters informed about the significance of external markets. These activities will highlight the benefits of exporting, prerequisites and constraints of exporting, the organizational changes that need to be made to succeed in this area and, lastly, the support available from government and other stakeholders.

The government, in collaboration with other stakeholders, will, among other things, run an annual promotional campaign, take part in various regional or sector-based trade shows and hold awareness seminars. It also intends to continue its so-called Export Action initiative, whereby local companies can meet with staff in the economics departments of Québec's delegations and offices to keep abreast of business opportunities on external markets.

Businesses qualified to export

THE SUCCESS OF AN EXPORT PROCESS: ADEQUATE PREPARATION

Being well prepared is an essential condition for any successful export initiative. Such preparation is important not only for companies that have never exported before, but also for those that simply respond occasionally to requests from foreign buyers, without necessarily possessing all of the tools required to export successfully on a regular basis.

For these firms, the first step is to perform a diagnosis of their ability to export. This will enable them to assess their competitiveness, their knowledge of modern management practices and how well their production capacity is matched to market demands.

These diagnoses will be conducted by government advisors or other consultants in export development for businesses. Where diagnosis reveals that changes are needed in order for a company to improve its management process or rethink its production methods, that company will then have access to the various government assistance programs, including one focused on implementation of best practices, and thus be better positioned to face international competition.

Once this step has been taken, the company will be able to take advantage of export training programs, which will enable its personnel to acquire basic knowledge. At this stage, the company may also wish to explore an export strategy by consulting with, among others, government advisors or consultants from other bodies, as well as by making use of the various strategic market information tools it has at its disposal.

New exporters

Given the skills to be acquired and the organizational changes to be made within the company if it is to succeed in foreign markets, the new exporter must be able to rely on outside support and have access to quality guidance.

IMPROVE KNOWLEDGE

The government will be reinforcing its actions on behalf of this group of exporters. Its actions will mainly involve three aspects that are essential to an effective export approach: continuing the knowledge acquisition process (training, trade consulting and information), engaging in prospecting of markets and developing export business plans.

THE IMPORTANCE OF MARKET STUDY ACTIVITIES

Market prospecting activities, such as exploratory missions and attendance at trade shows, are important for companies wishing to make the switch to exporting. They enable them to get a snapshot of the target market and establish first contact with prospective customers. These activities may be undertaken not only on international markets, but also in the rest of Canada, which for many firms can be a gateway to exporting.

DEVELOP A BUSINESS EXPORT PLAN

Drafting an export business plan is a key step in the new exporter's initiative. In the opinion of many experts, too few companies have such an instrument, which is so essential for converting business opportunities on external markets into profitable projects. To properly structure companies' export operations and boost their chances of success, the government will assist new exporters by assuming a part of the expenses associated with preparing an export business plan. The plan will become a mandatory step for any firm wishing to benefit from the government's export development support process.

To undertake these various activities, a company may receive assistance as part of the *Impact PME* program (market prospecting component). The maximum allowable per firm will be $30,000 over two years. Financial assistance awarded under this component will now be accessible to companies wishing to begin exporting to markets in the rest of Canada. Companies will also have access to advice, adapted and specialized training, assistance for solo trade missions or individual attendance at trade shows and to the services of Quebec representatives outside the province.

The government will also provide assistance to new exporters looking to hire resources specialized in exporting. This assistance, up to a maximum of $50,000 over two years, will be available for hiring of young, recently trained experts as well as more seasoned personnel. To this end, the component for hiring export specialists of the *Impact PME* program will be reactivated.

CONSOLIDATE THE FIRST-MARKET POSITION TO EXPORT CONTINUOUSLY

Exporters on their way to market consolidation

Once the first sales have been made, the best strategy for a company is usually to put extra effort into consolidating its presence in its initial export market. For some firms, this process of consolidation requires the establishment of sound trading relationships that will enable them to maintain regular exports. For others that are used to exporting, it translates into working toward more systematic coverage of their target markets.

In the context of its strategy, the government is addressing these two types of consolidating firms in particular. They represent one of the foundations for future growth in Quebec exports. They have already completed a large part of their journey; the goal is now to help them move on to another stage in their export development process. Reaching this stage will allow them to become solid exporting firms able to take full advantage of their markets.

The government's current method of assisting businesses in their market consolidation is the organization of group activities such as missions and trade shows, and support provided by the economic advisors posted to Quebec's delegations and offices. Under the new strategy, not only will these two types of support be enhanced but, more important, front-line financial assistance will be granted to these companies through the *Impact PME* program.

Financial assistance awarded through the consolidation assistance component will be tied to development of a detailed business plan. Besides covering a portion of the expenses connected to the marketing plan, this component will also provide financial assistance for activities such as participation in missions and trade shows, and for other activities related to a firm's implementation of a market consolidation strategy. The maximum support available to individual companies will be $30,000 over two years. If a company has not benefited from financial assistance for the hiring of export specialists when it was still at the new-exporter stage, it will still be eligible for such support at the consolidation stage.

This assistance is in addition to that already provided by Investissement Québec for export financing (see Inset 9), by the services to exporters described in Priority 2, and by the support for networks of exporters stipulated as part of Priority 3.

INSET 9. INVESTISSEMENT QUÉBEC – EXPORT FINANCING

Investissement Québec provides various forms of financing as part of the *Fonds pour l'accroissement de l'investissement privé et la relance de l'emploi* (FAIRE), including:

- buyer credit of at least $1 million for the procurement of goods and services destined for export;
- funding of feasibility or profitability studies prior to securing a worldwide mandate for producing of goods or services in Québec.

Financement PME, another Investissement Québec program, enables a company to obtain a loan guarantee or a loan for any of a number of export-related projects, such as development of a market outside Québec, conclusion of an overseas contract, the sale of products to a Québec-based exporting firm or acquisition of a foreign company.

The pool of firms at the consolidation stage includes not only those that already avail themselves of government services or services provided by other stakeholders at previous stages in the process, but also those that have become exporters without the use of such services. For a vast majority of firms, market consolidation will take place in North American markets. In this arena, Québec companies will have to skilfully compete with many others over the coming years if they are to boost their market shares.

CONSOLIDATE THE BUSINESS' EXPORT STRATEGY

Many of these firms show good potential to become exporters. Moreover, they are fairly far along in their export development process, and very often, success will come if they can benefit from a helping hand and adjust the most deficient aspects of their export strategies.

Exporters on their way to market diversification

Once a company has consolidated its market presence, the government's intention is to provide incentives for it to diversify its markets. In contrast to the preceding two stages, which mainly target the North American market, this stage's main focus is on markets outside North America. These are extremely important markets, but are less obvious, more difficult choices for Québec exporting firms, not only for reasons of physical distance, but also because of differing cultures and business practices. This situation is often the cause of significantly irregular exports.

DEVELOP NEW MARKETS IN ACCORDANCE WITH PRIORITY COUNTRIES

Diversification means making choices, because few SMEs are able to operate on European, Asian, Latin American and African markets simultaneously. The government will favour and support companies whose market diversification strategies take priority markets into account (Orientation 1). The assistance provided to exporting firms in the area of diversification is similar in many ways to the assistance extended to consolidating exporters.

MORE EXTENSIVE AND COMPLEX PROCESSES

In this way, exporters wishing to begin, or that have recently begun, operations on a second market will be eligible for financial assistance for a portion of their expenses under the new diversification assistance component of the *Impact PME* program. This support is designed to provide assistance to a firm in a new market, where penetration is often difficult and requires it to engage in activities that are more intensive, lengthier and more complex.

Financial assistance extended under the diversification assistance component may be used, among other things, to cover a part of the cost involved in developing an export strategy, if the firm has none, or in adapting an existing plan to the vagaries of a new market. Any other financial assistance awarded under this component will be conditional on the existence of such a plan. The maximum possible assistance granted to a firm will be $30,000 over two years.

Exporters will also have access to the component for hiring export specialists of *Impact PME* (if they have not yet availed themselves of it) so as to design and implement their diversification strategies.

These exporters will also be eligible for Investissement Québec support in the area of export financing and the services to exporters described in Priority 2, as well as for support for networks of exporters as referred to in Priority 3.

Pilot project for fast-growing exporters

A GREATER FLEXIBILITY TO SUPPORT BUSINESSES EXPERIENCING RAPID GROWTH

The continuous and adapted support framework for this strategy is meant to be clear and flexible when it comes to its application because, obviously, different companies will progress through the various stages at different rates.

Some firms whose managers and personnel have obvious exporting abilities and that have the proper training are able to progress much more rapidly than others. Examples include innovative firms whose operations are in high-tech niches and segments. For these companies, exporting becomes a condition for profitability as soon as the product development stage has been reached, because their buyers, often few in number, are spread out across the world. Moreover, because of the relatively short life cycles for new technology products, these innovative firms have no choice but to deploy marketing strategies that quickly cover all markets. For them, this type of strategy remains the only way of reaping the full benefit of their innovations. These companies' progress is thus markedly different from that of exporters in the more traditional sectors.

Innovative firms may very well also be exporters on the way to consolidation or diversification. They are set apart by the fact that they are fast growing and perform better, and by the fact that they have developed extremely specialized niches and therefore must deploy rapidly on external markets to ensure expansion.

Based on these observations, the government will develop a pilot project dedicated specifically to exporting firms that are rapidly expanding by moving into external markets. These firms will be able to benefit from strategic support for their development, which is part of a process that is distinct from the usual framework. This support will cover certain strategic aspects of implementation of their external business plans. The maximum amount available to an individual company will be $100,000 over two years.

Impact PME

THREE NEW COMPONENTS

This new support framework for business considerably increases the scope of the *Impact PME* program (see Inset 10). Three new components are being added to the market prospecting component: market consolidation, market diversification and the pilot project for fast-growing export firms. In addition, the component for hiring export specialists has been reactivated. Finally, coverage of eligible expenses has been widened under *Impact PME*, to include, among other things, business plans; the program now also applies to markets within Canada.

INSET 10. THE *IMPACT PME* PROGRAM

The *Impact PME* export program currently consists of three components: market prospecting, group missions and special projects such as proposals in response to international calls for tenders. The biggest component, by far, is market prospecting. Under this component, companies can lower their market prospecting expenses through financial assistance for five types of activities: undertaking of trade missions and attendance at trade shows; production of promotional materials; completion of market studies; negotiation of strategic alliances; and hosting of visiting foreign partners. In recent years the government has supported an average of 900 firms annually through this program. Assistance may be granted to a company for a maximum of three years.

TWICE THE FINANCIAL CONTRIBUTION AND COACHING PERIOD

Improvements to financing through ***Impact PME*** means a doubling of the government assistance that can potentially be provided to an exporter that completes the market prospecting, consolidation and diversification stages: the maximum contribution has increased from $45,000 to $90,000. Moreover, the maximum period during which an exporting firm may benefit from the program is no longer three years, but at least six. Therefore, the support initiative is not only longer, but also more flexible, to allow for different market penetration rates among different companies.

Concerning the component for hiring export specialists, the government sought to respond to the need of many businesses to reinforce their in-house exporting competencies – be they beginning, consolidating or diversifying exporters. In fact, many of the experts consulted clearly expressed their belief that a company's success on external markets is highly dependent on the quality of the personnel assigned to the exporting process within that company.

The maximum allowable assistance under this component will be more than double that previously awarded; i.e., $50,000 compared to $22,500.

4.2.2 Priority 2: Strengthen services for exporters

The new support framework has highlighted the strategic importance of a number of services that the Quebec government and other stakeholders provide to exporters. In essence, these involve developing exportable skills and knowledge; carrying out trade missions and fairs; and providing support through the economic services of the network of Quebec's delegations and offices. The strategy designates the adjustments to be made to each in accordance with the needs and aims identified in the exporter support framework.

In addition to encouraging companies to avail themselves of a business plan for exports, the export development strategy offers exporters the advantage of continued support when putting this business plan into practice. The strategy will promote the development of expert resources that accompany businesses through the key stages of their plan. In conjunction, it anticipates the means required to ensure that export specialists can satisfy the needs of Quebec exporters, and enables these specialists to keep their skills up to date by a process of continuous training.

Developing skills and knowledge in exporting

The development of skills and knowledge in exporting occurs mainly through the distribution of information, training, and counselling – three services that the government and other stakeholders provide to exporters in Quebec. The government will improve these services while taking into account the priorities set out in this strategy.

Increase access to strategic information on priority markets

Thus, the government will increase the amount of strategic information obtained in priority markets. It will do this by way of research studies carried out internally or externally that focus on key geographic markets and key sectoral markets alike.

Improve training programs

Training programs will also be upgraded. Current training will be revised in light of the needs of exporters, and new specialized training will be provided according to the various priority markets. Training in using the Internet as an export development tool will also be given as a complement to the best business practices training program offered under the aegis of the *Stratégie québécoise pour améliorer la compétitivité des entreprises*.

The government will also develop training programs whose duration is more in step with clients' needs (one-day seminars divided into three-hour sessions). In outlying regions, it intends to provide strong support to NGOs (in keeping with its outsourcing policy) in order to ensure the greatest possible distribution of its training program throughout all non-urban areas of the province. It will thus make sure that this program is properly integrated into the company support framework.

In terms of counselling, the emphasis remains on providing continuous support. Thus, counsellors shall be in a better position to know the needs of a business and to indicate where the most appropriate services are to be found, regardless of its current stage in the export development process.

Group activities: Trade missions and fairs

The group activities carried out by the Quebec government primarily involve participating in trade missions and fairs abroad. The government has devoted a great deal of effort to such activities over the last decade. In recent years, it has led an average of nearly 100 per year, and, in the process, has met the needs of nearly 1,000 businesses. Over the course of the 2000–2001 fiscal year, 75% of these group activities took place outside North America; and 10% of them benefited from the presence of a government minister.

TRADE MISSIONS AND FAIRS: A PRIVILEGED MEANS TO DEVELOP RELATIONS AND REACH AGREEMENTS

The government will continue to provide support of this kind to businesses that compete in markets outside the province. Trade missions and fairs are an excellent way for Quebec companies to establish links and reach contractual agreements with foreign importers.

The government intends to maintain the current number of missions, but will adjust their overall approach in order to heighten their effectiveness and impact. On the one hand, group activities shall retain their essential focus on priority markets in conjunction with other services provided by the government.

AN IMPROVED PROCESS TO SELECT PARTICIPANTS FOR ACTIVITIES

However, the process of selecting companies shall take into greater consideration the possible synergies between different companies so that the beneficial fallout of the missions is increased exponentially. Experience has shown, in fact, that a mission has greater success when a more homogeneous group of companies is involved.

Furthermore, the missions will be better adapted to the export development stage currently reached by the participating companies. All exporters are eligible to join the trade missions, but the nature of the mission and its destination may have an influence on the selection of members.

The government will also explore the potential of virtual trade fairs. Various trials are currently underway in different sectors and there are grounds for analyzing the relevance of such a procedure for Quebec, at least on an experimental basis.

Economic services of the network of foreign Québec delegations and offices

The network of Quebec delegations and offices provides a variety of services that Québec exporters can rely on, especially in terms of gathering trade intelligence, researching contacts, acquiring information on markets and receiving support during trade discussions.

CONSOLIDATE THE ECONOMIC SERVICES PROVIDED BY QUÉBEC'S NETWORK OF DELEGATIONS AND OFFICES

As the implementation of this strategy progresses, the government will put more emphasis on the contributions and assistance available to businesses through this network (Inset 11). Already in 2000 and 2001, the network's economic services in the United States received a major boost. The configuration of the network elsewhere in the world will be reviewed and adjusted to meet with the priorities targeted by this strategy.

The strengthening of the Quebec network's economic services will first involve the redeployment of resources according to priority markets. The goal is to create the critical mass needed to serve businesses in a continuous and efficient way. This means that offices or branches may cease their activities, and their resources may be redeployed to currently understaffed areas or positions. In addition, with regards to those strategic markets not served by the economic services of the network, the government intends to follow its tradition of partnership with private organizations or businesses in the aim of ensuring a continued presence, if necessary, upon which Québec exporters can rely.

INSET 11. THE ECONOMIC MISSION OF THE NETWORK OF QUÉBEC'S DELEGATIONS AND OFFICES

Economic services are an integral part of the network of Québec's delegations and offices. The general delegations have a mandate to contribute to the influence and development of Québec. They serve all sectors – economic, cultural, political, social – in which Québec's skills and knowledge play a role. Individual delegations and offices cover one or another of these sectors or a certain number of them together. The branches play a primarily economic and commercial role.

Currently, the economic services of the network are available in 27 cities around the world: eight in North America, seven in Latin America, six in Europe and six in Asia.

NORTH AMERICA

New York, UNITED STATES	General Delegation
Boston, UNITED STATES	Delegation
Atlanta, UNITED STATES	Branch
Chicago, UNITED STATES	Delegation
Los Angeles, UNITED STATES	Delegation
Miami, UNITED STATES	Office
Toronto, CANADA	Office
Vancouver, CANADA	Branch

EUROPE

Brussels, BELGIUM	General Delegation
London, UNITED KINGDOM	General Delegation
Paris, FRANCE	General Delegation
Barcelona, SPAIN	Office
Munich, GERMANY	Office
Milan, ITALY	Branch

LATIN AMERICA AND CARIBBEAN

Mexico, MEXICO	General Delegation
Buenos Aires, ARGENTINA	Delegation
San José, COSTA RICA	Branch
Lima, PERU	Branch
Santiago, CHILE	Branch
Caracas, VENEZUELA	Branch
Panama, PANAMA	Branch

ASIA

Tokyo, JAPAN	General Delegation
Beijing, CHINA	Office
Shanghai, CHINA	Office
Manilla, PHILIPPINES	Branch
Taipei, TAIWAN	Branch
Seoul, SOUTH KOREA	Branch

Last, the duties of personnel involved with the economic services of the network shall be redefined so that these services can be provided to Québec businesses with greater added value. More specifically, personnel will find themselves entrusted with the following mandates:

OFFER SERVICES OF HIGHER ADDED VALUE

- Reinforcing trade intelligence in order to increase the quantity and quality of the information on the market. For example, each external position will be responsible for providing companies with a contact list of manufacturers and distributors, and marketing capsules for specific markets.
- Grouping or validating specific information on business opportunities in order to analyze the trade information obtained during market studies.
- Identifying potential buyers who may be invited to Québec or whom Québec corporate representatives may visit during their business trips abroad.

Furthermore, the government will ensure improved co-ordination of requests made to the staff of the economic services division, so that it is able to focus on the development of business opportunities.

Support for the company's export strategy

MULTIPLY EFFORTS TO IMPROVE THE BUSINESS' EXPORT STRATEGY

Several companies are having considerable difficulty with export strategy development and implementation because they do not have all the information required, and it is difficult for them to obtain adequate financing. Improving the *Impact PME* program will provide companies who want to avail themselves of an international business plan with financial support. However, more must be done to support companies working through the implementation of an export strategy stage.

THE LACK OF KNOWLEDGE SLOWS THEM DOWN

Certain companies have difficulty appreciating the trade risks associated with the exportation of their products, either because they have little experience in understanding foreign markets, they are selling an innovative product or their target market is located outside of North America. Other companies have difficulty identifying the best marketing strategy for a given market. These situations occur in cases where companies have participated in trade missions and fairs, and where they have strategic decisions to make in terms of launching their product on the market. This lack of knowledge impedes their momentum or significantly increases the risk of those who move forward regardless.

The difficulties associated with defining risk makes it more difficult for companies to obtain the financing required to penetrate foreign markets. For this reason, the company is often obliged to provide its own financing which, in many cases, considerably limits the scope of the strategy and the speed with which it may be implemented.

SUPPORT OF THE BUSINESS' MARKETING EFFORTS

Within this context, the government will implement different measures to offer export strategy services to companies. The services offered will be varied: assisting in identifying different markets, export logistics support, accompanying businesses when negotiating alliances, endorsing products, finding staff (foreign sales directors and representatives), establishing marketing plans and identifying distribution networks, etc. By reinforcing a business strategy, these services will allow them to obtain financing that will, for example, help them implement or obtain a distribution network, secure a trademark, hire a team of sales people or even improve customer service in foreign countries.

The training of export specialists

SHORTAGE OF EXPORT SPECIALISTS

Whether it relies on external services or not in carrying out its export strategy, a company can only benefit from the internal presence of personnel with expertise in exporting. According to Québec Manufacturers & Exporters (QME), businesses in the province suffer from a lack of export specialists, whether they are technicians, development agents or managers.

Moreover, a study carried out in 2001 by the Association marketing de Montréal among SMEs in the Québec goods and services sector revealed that only 8% of these businesses participate regularly in marketing training activities, while 32% did so occasionally and 50% not at all. Since half of the respondents also described themselves as exporters, there is every reason to believe that, above and beyond the lack of human resources specialized in exporting, the skills of a significant part of personnel involved in promoting Québec exports are not being kept up to date.

Many stakeholders, over the course of our consultations, have highlighted the strategic role played by export specialists and the importance of improving the marketing abilities of companies in Québec. If the province is to increase the volume of its exports, it must increase the number of export specialists and ensure their skill sets are kept up to date. An important step will be to bring together businesses and training representatives to evaluate the nature and the extent of needs. In this instance, again, a public–private partnership could be useful in developing and carrying out an action plan.

TRAINING EXPORT SPECIALISTS AND ENSURING THEIR CONTINUED TRAINING

The government, in tandem with the private sector, will make sure that specialist training programs respond adequately to the needs of businesses. It also intends to support a network of specialists that establishes an environment favourable to synergy, information exchange and continuous training. Conferences, exchange sessions and specialized training, among other activities, can serve to advance this objective.

4.2.3. Priority 3: Implementing export networks

Whereas the two previous priorities emphasize improving business proposals on an individual basis, this priority focuses on facilitating groups in order to increase exports. These groups will take on the form of export networks or export support networks.

Export networks

Business networking: a means to increase their presence on foreign markets

Many companies are simply unable to take advantage of business opportunities on foreign markets given their lack of capacity to supply the required volumes, the wide array of products requested by clients or the complex nature of the projects – which sometimes require integrated solutions or the inclusion of after-sales services. Forming business networks is the solution to many of their problems.

Networking became the strategy of choice for a growing number of businesses during the 1990s. In the same vein as strategic alliances, the networking phenomenon is part of a worldwide movement toward corporate interdependence whereby each individual business' competitive position increasingly depends on the quality of the relations it enjoys with others.

Several governments – including those of countries with open economies, such as the Scandinavian countries, Australia and New Zealand – have already implemented programs aimed at favouring business networks. Although most of these programs target all types of networks, some have been specifically designed for export purposes. This is notably the case of Australia and New Zealand, where several hundred companies have networked in an attempt to increase their export capabilities (Inset 12).

Inset 12. Examples of export networks throughout the world

- Four building material companies in Australia have joined forces to compete more effectively against the Japanese market.
- Five fishing companies in New Zealand have decided to jointly participate in a Chilean trade fair to consolidate their long-term exports.
- Three Norwegian graphic arts firms have networked to purchase new equipment and technologies, thereby increasing their exports by 30%.
- Three Norwegian mechanical engineering companies have decided to share their technology and capital expenditures. This enabled them to decrease their operating expenses by 20% while increasing their sales by 10%.
- Eleven clothing companies in Denmark joined forces to offer a complete line of apparel and negotiate major international deals.
- Several Swedish furniture manufacturers have regrouped and increased their country's exports in this economic sector.

Networking is a recognized strategy in Québec. The Québec government was already promoting this strategy in the mid-1990s. A number of networks were set up then, and specialized resources were trained. We can therefore build on the experience gained to launch a new network of exporters.

A NEW PROGRAM FOR EXPORT NETWORKS

Furthermore, nearly 80 network-based export activities have been conducted in past years as part of the *Décennie Québécoise des Amériques* governmental program. Also, in the agri-food industry, several networks of exporters have been established in accordance with the Horizon Export program. Although most of these networks do not share all of the characteristics of standard networks, their implementation proves that it is possible to generate business interest for this formula.

In such circumstances, such as business opportunities materializing if companies pooled some of their resources, the Québec government will set up a program to support business export networks. This support will take on the form of network implementation aid as well as assistance in carrying out network exporting activities.

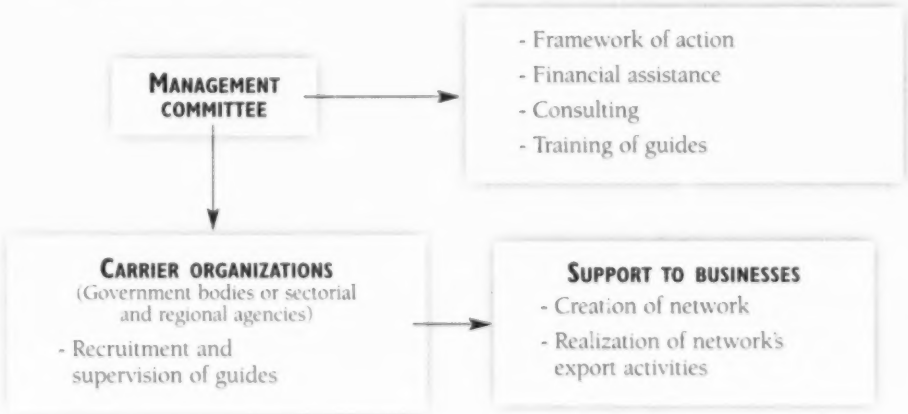
The export network development program will be managed by an organization structure responsible for promoting and providing operational support to business networks. This structure will include two levels: a management committee and field support organizations (Diagram 2).

The management committee will be in charge of supervising the entire operation. It will establish the program's terms and conditions as well as ensure program management, selecting the organizations that will assist businesses working to implement networks and design training activities to develop expertise in networking.

The support organizations may be public- or private-sector bodies. Their mandates will be determined in accordance with their ability to directly contact the businesses in their region or sector. They will be responsible for supporting the implementation of export networks according to a trade assistance process whose terms of reference will have been determined by the management committee.

DIAGRAM 2

FRAMEWORK OF ACTION FOR THE EXPORTER NETWORK DEVELOPMENT PROGRAM



The support organizations will therefore need to rely on qualified internal or external resources to assist businesses in their networking efforts. Coaches will be trained to master the "export network" approach as well as the objectives of the export network development program.

EXPORT NETWORKS: GENERALLY OF A STRATEGIC NATURE

Export networks are usually set up for strategic or troubleshooting purposes (Inset 13). A troubleshooting network is aimed at meeting a specific need or taking advantage of a business opportunity, most often isolated. It can consist of the first step in setting up a strategic network, i.e., a network with a greater number of interactions between participating businesses and a longer useful life. It therefore has a more significant impact.

Implementing an export network is a two-step process:

1. Establishing the network.

2. Business opportunities are located and secured.

The first step is crucial, and its success depends more on the coach's credibility and skills than on the financial assistance provided. Business owners must be convinced of the advantages of creating a network and successfully developing a clear understanding of the network's objective, reach and operational mode. At this stage, financial assistance will be limited to the payment of a portion of the coach's salary as well as fees arising from the implementation of the network.

During the second step, both technical and financial aid will be provided. The amount will depend on the number of businesses taking part in the network as well as the targeted export activities. Assistance granted to networks will basically be of the same nature as that currently granted to individual businesses. Furthermore, export networks will be granted access to the financial services currently made available to businesses (e.g., those provided by Investissement Québec).

INSET 13. CHARACTERISTICS OF AN EXPORT NETWORK

An export network is formed by three businesses or more that work together to carry out a specific market development project. The network is created by and for its members, and it is important that everyone gain from the experience. The coach's interventions are limited to supporting the members in their efforts. By definition, a network is temporary, yet its nature will dictate how long it actually exists. Most often, the export network sets itself apart from a consortium by its greater flexibility and shorter duration. Although a network cannot solve all export-related problems, it does represent an appropriate solution in a given environment.

There are two main types of export networks: troubleshooting networks and strategic networks. The assistance network's objectives are of lesser scope than those of the strategic network. The former is not very binding and calls for simple standards and rules. It may focus on various aspects such as preparing a marketing plan; bundling procurements; sharing advertising, equipment and market study costs as well as marketing resources, and sharing a foreign trade office or participation fees in trade fairs.

The strategic network is a more complex form of networking, which requires a greater deal of preparation and a more extensive commitment. It is directly related to the strategy of the businesses that make up the network and may be called upon to pool foreign-market sales forces, acquire new technologies, design new products for export purposes, respond to large-scale calls for tenders or ones that call upon a variety of resources, penetrate new geographical markets and concentrate vertically to support a business' export efforts.

During or after the carrying out of its project, the network may transform itself. It may also lead to the creation of new networks – of same or different natures – with the same or new partners. This multiplying effect depends mainly on the businesses' needs, the success of previous experiences and the mastery of the network concept. This explains the importance of relying on quality coaching during the network implementation phase.

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Export support networks

INTERORGANIZATIONAL RELATIONS: A SOURCE OF INFORMATION AND CONTACTS

An increasing number of ties between organizations (research institutes, business associations, municipalities, regions, science parks, etc.) have been created and will continue to be created here and elsewhere throughout the world. These ties – including all personal and interpersonal relations that characterize them – may represent a major source of information and contacts with export markets, but they are not always operated in a manner that takes full advantage of their potential.

This is notably the case of the various cooperative agreements between Québec and other areas of the world. These agreements may be conducive to creating several business opportunities, alliances between Québec and foreign businesses and all types of partnerships.

SUPPORTING AND ENCOURAGING THE IMPLEMENTATION OF EXPORT SUPPORT NETWORKS

To take advantage of the trade potential of alliances between Québec and foreign businesses, the government intends to favour and support the implementation of export support networks. These networks will be built upon the current or future ties between business associations, research institutes or government agencies in Québec and abroad (Inset 14).

These networks may take on a sectoral, regional or mixed dimension. A certain number of them may fall within the scope of cooperative agreements between Québec and other regions throughout the world that the government will have already targeted on the basis of their development potential.

These initiatives must therefore favour the development of business relationships that will generate not only technology transfers and strategic alliances but also business transactions and investments. They will also be conducive to the creation of export networks.

INSET 14. EXAMPLES OF EXPORT SUPPORT NETWORKS

As part of the economic cooperation that exists between Québec and Bavaria, an alliance is being developed between the Cité de l'Optique de Québec and the Groupe Optique-Photonique Québec as well as Bayern Photonics, the agency which represents the Bavarian optics and optoelectronics industries. This alliance should lead to an increase in the number of business transactions between Québec and Bavarian companies, especially since the businesses involved all operate in the same industrial channel.

The Québec/New York Corridor project – sponsored jointly by the Québec and Plattsburgh North County Chambers of Commerce – is yet another example of the private and public sectors joining forces to increase trade development.

The initiatives that the government will financially, technically and logistically support must meet three general criteria:

- The networking efforts must target a specific market, be spread over a three-year period and be supported by a well thought out business plan.
- Several organizations must take part in them, including foreign partners.
- The trade potential must be real, as assessed mainly by the participation of a high number of businesses.

A selection process will be set up to give priority to proposals that maximize the midterm commercial trade possibilities. Each network may be supported up to a maximum of $500,000 over a five-year period, assuming the project has been well-structured.

To ensure the success of such an initiative, the development of support networks should be spread out over a minimum of three-years to make sure that the relationships between the networks' members give rise to concrete projects with quantifiable results.

4.2.4. Priority 4: Building consensus between market development stakeholders

For an effective export strategy: a necessary partnership between private and public sectors

In 1999, the International Forum on Export Strategies organized by the International Trade Centre (ITC) – an agency sponsored by the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) – highlighted the importance of direct and continuous consultations, collaboration and concerted action between the private and public sectors to develop and implement export development policies and strategies. According to the ITC, although the public sector can serve as a catalyst in the export policy and strategy development and management process, the private sector must also play its role to ensure the process' efficiency and achieve the expected results. A viable partnership between the public and private sectors is therefore essential for any export strategy to be truly efficient.

Moreover, there is an increasing number of public and private stakeholders involved on the Quebec export development scene (Inset 15), which indicates that businesses are increasingly interested in exporting. The most recent survey conducted by the MFER produced a list of 100 or so agencies that claim to be somewhat active in this field. There are also private companies that offer export services for profit. This category includes mercantile establishments, shipping agents, customs and financial brokers and consulting firms.

Obviously, the actions of several stakeholders would be more efficient if they were better publicized to companies, if the stakeholders offered specialized services and if they acted in a more concerted fashion to avoid duplicating the services provided to the same clientele. Consultations carried out in preparation of the present strategy have highlighted the fact that companies believe they are too solicited to take part in the diverse activities proposed by multiple stakeholders. However, when they require a specific service, they do not systematically find what they are seeking.

There is a need for coherence and mobilization around a general plan such as the one proposed in this export development strategy. Moreover, it is just as important to let each stakeholder have the freedom and flexibility to choose the means that will enable them to make an effective contribution to attaining the strategy's objectives.

INSET 15. INVENTORY OF PUBLIC AND PRIVATE MARKET DEVELOPMENT STAKEHOLDERS

Approximately 100 stakeholders claim to support the export development efforts of businesses. These stakeholders are federal and Québec government departments and agencies, regional or municipal bodies, business groups, etc.

A wide array of services is offered. These agencies play an important role in the development of Québec's exporting firms, and this role will evolve with time in several respects. For example, the reform of municipal structures calls for the implementation of metropolitan communities in the Québec City, Montréal and Outaouais regions which are newly responsible for promoting their goods and services outside of their territory.

Although the inventory of market development stakeholders is far from complete, the following have been identified:

- 14 within the Government of Québec;
- 22 within the Government of Canada;
- 11 among sectoral agencies;
- 17 among regional agencies;
- 6 among the chambers of commerce;
- 12 among agencies that provide services to specific geographical markets;
- 23 in other categories.

DEVELOPMENT OF CONSENSUS-BUILDING MECHANISMS

The development and proper operation of consensus-building mechanisms between the various government and private stakeholders with respect to the promotion of Québec exports will ensure the strategy's success. These mechanisms are just as necessary at the development and implementation stages of the strategy as they are for its periodic evaluation. They form an essential component to ensure overall coherence.

A permanent advisory committee will be set up for the government. Its mandate will involve both the strategy's content and application as well as necessary modifications while taking into consideration the experience gained during the implementation phase as well as changes that may arise in exporting firms' business environments. The minister responsible for foreign trade will chair this committee made up of business and labour representatives as well as international trade experts.

Within the public sector, the departments and agencies will work more closely together to improve the quality of export development services provided by the government to businesses. For example, this joint effort could focus on the development of a single-window electronic centre for export development. This centre would provide not only information on programs, activities and business opportunities but also the possibility of electronic transactions with government departments and agencies.

The Québec government also intends to set up and spearhead a network of public and private partners to encourage the highest possible number of stakeholders to share the strategic information in their possession, better promote their activity programs, develop a complementary proposal, take part in joint activities and agree on the main export development priorities and objectives.

In that context, an external trade stakeholder forum will be held annually in Québec. This forum will provide an opportunity for presenting an assessment of Québec's performance in terms of its stakeholders' exports and accomplishments as well as for gaining information on their projects or activity programs. It will also enable stakeholders to fine tune the strategy.

THE EXPORT DEVELOPMENT STRATEGY: A DYNAMIC STRATEGY

Québec's export development strategy is intended to be dynamic. It will therefore be regularly updated while taking into account the evolution of the international economic scene, evolving business needs, the proposals of the different stakeholders as well as the continuous assessment of services offered by both public and private sectors. It will also provide the necessary flexibility to allow for the adjustment of its priorities and improvement of its interventions in light of the results achieved.

Finally, the debate surrounding globalization places increasing emphasis on new international trade issues such as the respect of fundamental human rights, the environment and labour standards. The consensus-building mechanisms could constitute a means to reach an agreement on a code of conduct for Québec stakeholders' trade activities with the rest of the world.

5. CONCLUSION

In conclusion, the new Québec Export Development Strategy proposes that the private and public stakeholders rally around four themes:

- targeted interventions ensuing from structured and precise action plans, which take into account the company's current phase in its exporting approach along with the real market potential;
- greater continuity in the presence of companies on foreign markets, this also implies that stakeholders work more systematically and in a sustained fashion with companies;
- closer collaboration among companies within export networks and between Export Development partners to implement specific measures;
- systematic consensus building among public and private stakeholders to increase the complementarity of services offered to companies and improve the coherence of actions.

The effectiveness and results of the Québec Export Development Strategy depend on the degree of commitment of companies and partners to this strategy. Its preparation and publication constitute the first phase of heightened collaboration between partners in Québec to ensure that exports continue to contribute to the maintenance and creation of jobs and wealth, which are crucial to the economic and social progress of Québecers.

APPENDIX

RESULTS OF THE ANALYSIS CHART FOR THE CHOICE OF PRIORITY COUNTRIES FOR MARKET DEVELOPMENT.[1]

The analysis chart evaluates the potential of 75 countries based on 13 criteria. Countries are grouped into five categories, depending on the number of points obtained. In the first two categories, the country's ranking is indicated, whereas in the three others, as the gap between the countries was relatively insignificant the countries were ranked in alphabetical order, and the number of points obtained per country was not specified.

CATEGORY 1

Rank	Country	Score
1	**United States**	39.7
2	**Rest of Canada**	39.7

CATEGORY 2

Rank	Country	Score
3	**Germany**	34.4
4	**United Kingdom**	33.9
5	**Mexico**	32.2
6	**Australia**	31.1
7	**France**	30.8
8	**Netherlands**	30.8
9	**Ireland**	29.7
10	**Japan**	28.9
11	**Italy**	28.1
12	**Spain**	27.5
13	**Belgium-Luxembourg**[2]	26.9
14	Chile	26.7
15	**Denmark**	26.7
16	**Switzerland**	26.7
17	China	25.8

CATEGORY 3
(21.6 TO 24.7 POINTS)

Brazil	Hong Kong	**Norway**
Costa Rica	**Iceland**	**Poland**
Dominican Republic	Israel	**South Korea**
Finland	**New Zealand**	Taiwan
Greece		

CATEGORY 4
(17.5 TO 20.8 POINTS)

Argentina	India	Saudi Arabia
Austria	Iran	Singapore
Colombia	Peru	South Africa
Cuba	Philippines	**Sweden**
Ecuador	**Portugal**	**Turkey**
Hungary	Romania	Venezuela

CATEGORY 5
(8.4 TO 16.7 POINTS)

Algeria	Jamaica	**Slovakia**
Bangladesh	Jordan	Slovenia
Bulgaria	Kazakhstan	Thailand
Croatia	Kenya	Trinidad and Tobago
Czech Republic	Lebanon	Tunisia
Egypt	Malaysia	Ukraine
Gabon	Morocco	Vietnam
Ghana	Pakistan	Zimbabwe
Indonesia	Russia	

1. Countries shown in bold are OECD members.
2. Belgium and Luxembourg are grouped together because the data available for several criteria in the chart do not differentiate the two countries.